

CCP Financial Instruments' Totalitarian Risk

The west is ignoring the totalitarian risk embedded in the financial instruments of entities from the People's Republic China reigned by the Chinese Communist Party dictatorship. The west also kept a blind eye on human rights abuses committed by CCP and funded such abuses. All over the world should be awakened. Otherwise, totalitarian danger will approach yourself with your own invested money.

Contents

1	No Agency Relation: CCP≠Chinese People	2
2	How Ping An committed accounting fraud.....	3
3	Stop Chinese Communist Party's Kidnapping British Telecom Network.....	8
4	CCP Inflated Belt and Road Pakistan Project Costs	10
5	Does Independent Trade Union Control Huawei Under CCP's Rule?	10
6	Current Misery to Businesses of Communist China since CCP virus	11
7	Project Corruption in Communist China.....	13
8	ESG Criteria Divest Communist Debentures.....	14
9	CCP Control Over TikTok Unchanged Despite Equity Transferred to Microsoft.....	20
10	Why to Send USD to Chinese Communist Party	21
11	Poisonous Assets to Collapse Financial Market of the West	26
12	Material CCP Totalitarian Risks Imbedded in Lufax Holding Ltd's Accounts	27
13	How Listed Companies of Communist China Misstated Financial Statements in 2019.....	30
14	Main Media Mislead Public on CCP Performance	34
15	Simple Tax Analysis of Hunter BHR Equity Arrangement.....	37
16	Twitter's consolidated financial statements informed why and who it censored for.....	39



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As told in the article [Agency theory and the role of audit](#) published by the Institute of Chartered Accountants in England and Wales, an agency relationship arises when one or more principals (e.g. an owner) engage another person as their agent (or steward) to perform a service on their behalf. The principals bear the consequences of whatever the agent does in the scope of agency relationship if the principals don't tell the third party to deny the agency relationship and corresponding rights. And the simplest agency model assumes that no agents are trustworthy and if an agent can make himself better off at the expense of a principal then he will.

I. Chinese People Has Never Appointed CCP as Agent

The Chinese Communist Party (CCP) has never been elected as an agent of Chinese people through transparent election. However, CCP claimed it represented 1.4b Chinese. CCP is untrustworthy and makes itself better off at the expense of Chinese. CCP often promulgates that without CCP the principal Chinese will fall into chaos.

II. Illegal Agent Numerated Its Heavy Commission

It is very absurd. You owned a house valued at £1000,000. A real estate agent told you that it would act as your sales agent to sell your house and numerated its commission at 80% without getting your approval. It sold your house to its CEO overseas at £10,000 and charged commission at £8,000. The CEO sold the house immediately at £1000,000 subsequently and laundered the proceeds to bank accounts maintained in the USA, the UK and the EU with the help of bankers. As a result, you became much poorer, couldn't afford proper education and could only get propaganda that without the agent it would become much worse and it was decided by history that this agent was your only option. Your appearance seen from outsiders were too bad, which would convince outsiders of the propaganda mentioned above. It also convinced outsiders that you, the agent and the market were unseparated. As far as China is concerned, you are the Chinese people, the agent is CCP and China is the market.

III. An Example of Heavy Agency Cost

Because of this terrible agency relationship, CCP made great gains at the expense of Chinese people. According to the [Agriculture Tax Ordinance](#)(ATO) effective until 2006 published in 1958 by CCP, the agriculture tax(AT) was levied on assessed

production quantities of normal years by applying average tax rate of 15.5% plus local rate of less than 9.5%, plus additional 10%-50% for individual peasants not member of people's commune (PC). There was no personal allowance as set in UK [Income Tax Act 2007](#). What made matters worse was that the officers of PC, of which was joined by most peasants, were responsible for preparing AT return in conformance with ATO. The PC officers and other officials of different CCP classes were only interested in selfish promotion and welfare arising from overstating production quantities and overcharging AT. It was said that there were only 115.1 thousand tons grains produced in Fengdu of Sichuan in 1959 in an article [Failure of Indicator Management: Great Famine and CCP Fraudulence](#) published by The Universities Service Centre for China Studies of The Chinese University of Hong Kong. It was overstated to 420 thousand tons, as a result of which AT was charged at 25% for about 105 thousand tons. Therefore, the agency cost was actually charged at 91.23% ($105/115.1 \times 100\% = 91.23\%$) as a result of which there was severe consequence for people in Sichuan that was substantial starvation deaths in Great Famine. My grandfather died in this famine. Myself grew up in the countryside and also suffered great blow, in the form of short height and thinness due to malnutrition in the growth period, from such high agency cost because heavy AT left little for parents to feed me.

In recent years, CCP social insurance became one of the heaviest costs of Chinese private businesses and workers. Similar to AT, there was no personal allowance that was available in the UK National Insurance Contribution scheme and overcharge by applying overstated gross wages in the form of setting least contribution. If your gross wage each year was ¥40,000 and required least charge was ¥3000 each month in Guangdong, the charge would be ¥36,000 each year. As we all know, social insurance expenditure was not transparent and social insurance fund was now being invested to A share markets of China. The A share market was used for laundering money and cheating fund into hands of CCP officials, which could explain why the gains from A shares trading was exempt from individual income tax since introduction of securities exchange in 1990. Therefore, CCP social insurance charge was agency cost for CCP charged at 90% ($36000/40000 \times 100\% = 90\%$) for the case mentioned above.

IV. Chinese People $\neq$ CCP $\neq$ China

On 1 July 2020 and on 24 July 2020, some people, identified as members of whistleblower's movement, held protest outside China Embassy in Washington DC and China Consulate in Houston respectively following declaration of founding the New Federal State of China on 4 June 2020, all of which denied the agency relationship between Chinese people and CCP to the outsider world and indicated it's reasonable to replace CCP with the New Federal State of China (NFSC).

Many nations such as the USA become aware of Chinese People $\neq$ CCP $\neq$ China gradually. Take America as an example. It was told in the [Communist China and the Free World's Future](#) speech made by US Secretary of State Michel Pompeo on 23 July 2020 that the USA opened arms to Chinese citizens, only to see the CCP exploit American free and open society. America gave the CCP special economic treatment, only to see the CCP insist on silence over its human rights abuses as the price of admission for Western companies entering China. America knows that the People's Liberation Army is not a normal army, too. Its purpose is to uphold the absolute rule of the CCP elites and expand a Chinese empire, not to protect the Chinese people. Chinese people, too made in the image of God, are completely distinct from the CCP.

V. Solution to Agency Problem in China

It is stated in [The Declaration of NFSC](#) that it will uphold rule of law, freedom, segregation of government branches and democracy. In the [NFSC](#) promoted by the [Whistleblower's Movement](#), Chinese people will appoint legal agent and numerate the agency cost at reasonable rate through transparent democratic and free election process. To deny the agency relationship between CCP and Chinese people, more Chinese people are requisitioned to join in the Whistleblower's Movement.

2 How Ping An committed accounting fraud

2019 Accounts

On 20 February 2020, Ping An Insurance (Group) Company (PAIC) published its 2019 [consolidated accounts](#). The accounts were audited by PricewaterhouseCoopers Certified Public Accountants firm in Hong Kong (HKPWC) and given an unqualified opinion on 20 Feb 2020.

2020 Accounts

PAIC published its unaudited 2020 [1H accounts](#) on 14 September 2020.

Risk of insufficient audit objectivity and independence

Free speech and free thinking including critical thinking about accounting issues have been compromised significantly by Chinese Communist Party (CCP) 's fascist behaviours in Hong Kong since Hong Kong returned to Communist China from the United Kingdom in 1997. PAIC, which was registered in Shenzhen, was controlled by CCP. CCP is an organized crime organization. It's naïve to count on HKPWC to maintain sufficient objectivity and independence and exercise sufficient professional judgement and scepticism to perform audit on PAIC's Accounts. Though HKPWC is a member of PricewaterhouseCoopers Global and subject to its internal audit quality control system, but who can insure peers from other PricewaterhouseCoopers Global members are free from influence of CCP.

Risk of self-interest threat compromising objectivity and due care exercised by internal auditor, Chief Actuary and CFO

As reported in "SHAREHOLDINGS OF DIRECTORS, SUPERVISORS AND SENIOR MANAGEMENT Change in the Number of Shares Held in the Company", its internal auditor and CFO held 268,191 shares and 321,378 shares in PAIC respectively, which may induce them to be engaged in accounting fraud despite shareholding was published. It's hard for them to defend objectivity and independence when applying professional judgement to present and scrutinize financial numbers and related transactions. Consolidation scope, actuary assumptions, impairment testing of goodwill and non-current assets, and evaluation of expected credit losses(ECL) on financial assets and fair values relied on professional judgement in many circumstances. Undisclosed related transactions and undisclosed related parties have often been used for manipulating financial performance of A-share listed companies. Coverup is a communist virus that killed people via great starvation between 1959 and 1961 and CCP virus and cheated money from Chinese as well as foreign investors.

Significant judgment is required in determining the actuarial assumptions, e.g. discount rates/investment return, mortality, morbidity, lapse rates, policy dividend, and expenses, used in the valuation of insurance contract liabilities for the long-term life insurance contracts. In 2019, it reported claims and policyholders' benefits RMB578.31bn rising by 31.56%, which was 53.14% of total expenses.

The measurement of the expected credit losses for financial assets measured at amortized cost and FVOCI is an area that requires the use of complex models and significant assumptions about future economic conditions and credit behaviour.

Abnormal increase in investment income

(in RMB million)	2019	2018	Change	Rate
Column No.	1	2	3=1-2	4=3÷2
Gross income	1,273,091.00	1,082,146.00	190,945.00	17.65%
Net earned premiums	748,779.00	677,703.00	71,076.00	10.49%
Investment income	101,747.00	31,974.00	69,773.00	218.22%
Unrealized gains/(losses)	44,091.00	-28,284.00	72,375.00	255.89%

Extract from Unrealized gains/(losses)

Financial assets at fair value through profit or loss	44,127	-27,948	72,075.00	257.89%
Bonds	340	1,677	- 1,337.00	79.73%
Funds	14,597	-12,150	26,747.00	220.14%
Stocks	20,989	-28,688	49,677.00	173.16%
Wealth management investments and other investments	8,201	11,213	- 3,012.00	26.86%

Its gross income increased 17.65% partly because investment income rose by 218.22% or RMB69.77bn. According to disclosure of investment income, its increase mostly came from increase in unrealized gains/(losses) by RMB72.38bn, among which unrealized gains or losses for funds and stocks accounted as Financial assets at fair value through profit or loss (FAFVTPL) contributed most respectively RMB26.75bn and RMB49.68bn, or 220.14% and 173.16%.

THE FAIR VALUE HIERARCHY for FAFVTPL for year both 2019 and 2018 informs that more than 72% of such category of financial assets are measured using Level 2 and Level 3 hierarchies inputs.

THE FAIR VALUE HIERARCHY for FAFVTPL

As at 31 December 2018

	Row No.	Level 1	Level 2	Level 3	Total	Sum of level 2 and level 3	Ratio
Column No.		1	2	3	4=1+2+3	5=2+3	6=5÷4
Bonds	1	18,343	151,024	–	169,367.00	151,024.00	89.17%
Funds	2	131,861	59,259	6,231.00	197,351.00	65,490.00	33.18%
Stocks	3	79,294	10,346	–	89,640.00	10,346.00	11.54%
Wealth management investments and other investments	4	4	270,321	98,256.00	368,581.00	368,577.00	100.00%
Total	5=1+2+3+4	229,502	490,950	104,487.00	824,939	595,437	72.18%

As at 31 December 2019

Bonds	6	15,484.00	210,748.00	59.00	226,291.00	210,807.00	93.16%
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Funds	7	130,725.0 0	78,965.00	4,375.00	214,065.0 0	83,340.00	38.93%
Stocks	8	111,289.0 0	4,313.00		115,602.0 0	4,313.00	3.73%
Wealth management investments and other investments	9		263,009.0 0	142,106.0 0	405,115.0 0	405,115.00	100.00 %
Total	10=6+7+8+9	257,498.0 0	557,035.0 0	146,540.0 0	961,073.0 0	703,575.00	73.21 %

Level 2 and Level 3 are more likely to be subject to manipulation than Level 1.

Most fair values at RMB557.04bn of FAFVTPL are arrived at using Level 2 inputs method in 2019.

As informed by IFRS 13 Fair Value Measurement, Level 2 inputs are inputs other than quoted prices included within Level 1 that are observable for the asset, either directly or indirectly and Level 2 inputs include quoted prices for **similar assets** in active markets, identical **or similar** assets in markets that are **not active**, inputs other than quoted prices that are observable for the asset, for example: interest rates and yield curves observable at commonly quoted intervals, implied volatilities; and **credit spreads** and market-corroborated inputs. The same also applied to liabilities carried at fair value within IFRS 13 application scope. It's a public secret that the grading and valuation industries mostly with CCP units or cells, of which work is possibly used for Level 2 and Level 3 fair value measurement, are lack of objectivity and independence which compromises due care as well as integrity in PRC. Some foreign grading agencies in PRC may also be ineligible to trust because CCP has BGY scheme, not to mention rating service fees paid by those graded and no rule of law and no free speech in PRC. Qualified rating and valuation agencies usually do some work on financial statements of investee before issuing ratings and valuation reports but financial statements of investee in PRC as well as those of Ping An are subject to manipulation.

Some fair values of RMB146.54bn are calculated using Level 3 inputs

As established in IFRS 13, Level 3 inputs are unobservable inputs for the asset or liability.

Unobservable inputs shall reflect the assumptions that market participants would use when pricing the asset or liability, including assumptions about risk. An entity shall develop unobservable inputs using the best information available in the circumstances, which might include the entity's own data. Using Level 3 inputs relied on management's judgement and therefore more prone to manipulation.

Consolidation scope misjudgement risk embedded in investments in associates

There're some examples listed below subject to consolidation scope misjudgement risk .

Investee name	Proportion of ordinary shares held
Veolia Water (Yellow River) Investment Co., Ltd	48.76%
Veolia Water (Liuzhou) Investment Co., Ltd	44.78%
Lufax Holding Ltd	40.61%

Investee name	Proportion of ordinary shares held
Ping An Healthcare and Technology Co., Ltd	41.27%
Ping An Medical and Healthcare Management Co., Ltd	38.54%
OneConnect Financial Technology Co., Ltd	36.61%
Shenzhen China Merchants-Ping An Asset Management Co., Ltd	38.81%

An investor determine consolidation scope based on control. Control exists when investor is exposed, or has rights, to variable returns from its involvement with the investee and has the ability to affect those returns through its power over the investee. Though the shareholding ratios in those investees are below 50%, there's absolutely no control just based on shareholding not exceeding 50%. IFRS 10 listed some examples of rights that, either individually or in combination, can give an investor power over investee besides voting power. Circumstances imposed by CCP complicates judgement on whether those rights, either individually or in combination, can give an investor power over investee.

Rights	Circumstances that complicates judgment of power
Rights to appoint, reassign or remove members of an investee's key management personnel who have the ability to direct the relevant activities	CCP sets units which have substantial rights over key personnel appointment both in Ping An and in its investees.
Rights to appoint or remove another entity that directs the relevant activities	CCP's absolute control over society
Rights to direct the investee to enter into, or veto any changes to, transactions for the benefit of the investor	CCP sets units in investee, whose members have such rights.
Other rights (such as decision-making rights specified in a management contract) that give the holder the ability to direct the relevant activities.	CCP often communicates orally, falsifies or deletes or burns documents in the same way it conducted in PRC Consulate to Houston before it got shut down.

Equity accounting manipulation risk

[In another article](#), Lufax Holding Ltd, which was carried in equity method as 40.61% shareholdings ratio associate, was doubted to have manipulated financial performance for the years 2019, 2018 and 2017. Income of equity method investee as well as impairment loss on the investment directly affect investor's unrealized gains or losses. Measurement of impairment loss on investment in associates is also subject to manipulation risk. PAIC reported investments in associates and jointly controlled entities of around RMB204.14bn as at 31 December 2019 and RMB5.15bn increase in share of profits and losses of associates and jointly controlled entities.

Risk of expected credit losses(ECL) misstatement

In 2019, PAIC reported in its income statement net impairment losses of RMB65.27bn on financial assets and in balance sheet, loans and advances to customers and financial assets at amortized cost of RMB2.24tn and RMB2.28tn respectively which were two largest numbers. Net impairment losses on loans and advances to customers were RMB53.29bn the main part of net impairment losses on financial assets but impairment losses on financial assets at amortized cost were only RMB5.11bn or accumulated 0.73% of gross amount.

Extract from Note "13. NET IMPAIRMENT LOSSES ON FINANCIAL ASSETS" of year 2019

(in RMB million)	Net impairment losses	Provision balance	Gross (Including interest receivable)	Ratio of provision
Column No.	1	2	3	4=2÷3
Loans and advances to customers	53,288.00	69,560.00	2,309,956.00	3.01%

Financial assets at amortized cost	5,113.00	16,719.00	2,297,944.00	0.73%
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More interestingly, despite increase in gross amount of financial assets at amortized cost by 10.03% and growing macroeconomic depression in PRC, net impairment losses on financial assets at amortized cost contracted 2.5%.

Extract of Financial assets at amortized cost

(in RMB million)	2019	2018	Increase by
Column No.	1	2	3= (1-2) ÷ 2
Gross amount	2,297,944.00	2,088,456.00	10.03%
Net impairment losses	5,113.00	5,244.00	-2.50%

More importantly, subsequent measurement of both loans and advances to customers and financial assets which were carried at amortized cost involved ECL measurement that is subject to manipulation risk.

Misstatement risk development for the half year ended 30 June 2020

Interim Condensed Consolidated Financial Information was given an unmodified review opinion on 27 August 2020 by HKPWC when the Hong Kong National Security Law had further compromised rule of law and free speech, and thereon hampered objectivity and independence of HKPWC further. Before 27 August 2020, US had suspended recognition HK's autonomous status and Hong Kong Autonomy Act commenced and any work of Hong Kong Accountants should be denied of any credit.

ECL misstatement risk remained because ratio of provision is in huge disparity

	Impairment losses	Provision balance	Gross (Including interest receivable)	Ratio of provision
Loans and advances to customers	32,302.00	87,501.00	2,281,584.00	3.84%
Financial assets at amortized cost	5,662.00	21,943.00	2,476,160.00	0.89%

There was an abrupt increase in other comprehensive loss from financial assets carried at fair value with changes through other comprehensive income. It indicated PAIC had made use of this pandemic to absorb or cover-up previously understated loss and significant material impairment loss or fair value misstatement risk imbedded in its all the financial assets it reported.

3 Stop Chinese Communist Party's Kidnapping British Telecom Network

The Chinese Communist Party is a risk. So is Huawei



As reported by Sky News, Boris Johnson has ordered all Huawei technology to be stripped out of the UK's 5G network by 2027. In a major U-turn, the PM also banned the purchase of any new 5G equipment from the Chinese tech giant from the end of this year. This also indicated that it's a slow process that will take up to 7 years for UK to remove Huawei from network completely.

It was reported by the Financial Times on 14 July 2020 that John Browne (Lord Browne of Madingley), who was the Group Chief Executive of BP from 1995 to 2007, spent five years as Huawei UK's first independent chairman to dispel concerns about its corporate governance and independence from the Chinese state and was due to leave the role next March but tendered his resignation in recent days and will now leave in September.

It's recommended that the roles of chair of board and chief executive should not be exercised by the same individual and chief executive should not become chair of the same company in the UK Corporate Governance Code 2018 (The Code) issued by the UK Financial Reporting Council.

It's recommended that the board should ensure that the necessary resources are in place for the company to meet its objectives and measure performance against them, establish a framework of prudent and effective controls, which enable risk to be assessed and managed, remuneration policies and practices should be designed to support strategy and promote long-term sustainable success and executive remuneration should be aligned to company purpose and values, and be clearly linked to the successful delivery of the company's long-term strategy in the Code.

As reported by Financial Times, before Boris Johnson declared on 14 July 2020 banning the use of new Huawei kit in Britain's 5G mobile phone networks, the main operators, such as BT, were worried about risks of doing so. They listed risks as follows.

1. The Chinese Communist Party (CCP) might retaliate by placing an export ban on kit made in Chinese factories by alternative suppliers Ericsson and Nokia.
2. It was not feasible in the short term. BT said it would take 10 years to remove Huawei completely from the network.
3. It was costly to replace Huawei equipment. BT said complying with the 35 per cent cap on Huawei's market share would be about £500m in January 2020. Industry executives estimate that the cost to the sector of removing all Huawei kit in the UK could run into billions of pounds.

Therefore, I'd like to ask some questions as below.

1. Why not get rid of Huawei stuff as soon as possible now that CCP may threaten the UK with cutting supply of equipment? What if CCP took revenge on Hong Kong problem?
2. Isn't it the task of businesses' management equipped with sound corporate governance and technology to cut cost of replacing Huawei junk equipment with alternatives?
3. Why to set Huawei as single supplier of telecom equipment previously? No public tendering competition? Is the procurement not questionable?
4. Is it feasible to introduce more competition by granting license to other countries' operators such as AT&T? Is it possible to introduce more substitutes such as Musk's Starlink?
5. Is there unclear relationship between some members of management of UK telecom operators and CCP?
6. Shouldn't Huawei be investigated about how it obtained telecom contracts, what it has done to the data of British telecom customers and whether it had committed money laundering or cheated UK financial institutions? It is better to require Huawei to pay fines based on reliable evidence to offset the cost of removing Huawei equipment.

4 CCP Inflated Belt and Road Pakistan Project Costs

As reported [by the Financial Times](#) on 26 June 2020, Pakistan was trying to negotiate Belt and Road repayments after it alleged that Chinese companies have inflated power project costs by billions of dollars.

It is advised that Pakistan suspend all the corrupted cooperation contracts signed with corrupted Chinese Communist Party, CCP, government which is responsible for covering up coronavirus information, deterring international inspection and stealing wealth of the Chinese people through international loans and grants without transparency until CCP is replaced with a democracy state, for example, the New Federal State of China, the Declaration of which upholds principles of rule of law, justice and independent scrutiny.

Inflating charges is just one of the means of stealing money to make senior CCP officials wealthy and increase the balances of their bank accounts in Switzerland and the Wall Street. It is frequently to overcharge fees by inflating set-up cost and other engineering costs in China under the CCP's rule. Therefore, it is necessary to conduct independent audit on project cost. The related party relationship should be investigated and scrutinized before any project advisory service or audit could commence.

The Financial Action Task Force (FATF) Recommendations are being neglected by greed of those bankers in the Wall Street and Switzerland. The FATF is the global money laundering and terrorist financing watchdog. The inter-governmental body sets international standards that aim to prevent these illegal activities and the harm they cause to society. With more than 200 countries and jurisdictions committed to implementing them, the FATF has developed the FATF Recommendations, or FATF Standards, which ensure a coordinated global response to prevent organized crime, corruption and terrorism. The FATF Recommendations are as follows. [https://www.fatf-gafi.org/publications/fatfrecommendations/?hf=10&b=0&s=desc\(fatf_releasedate\)](https://www.fatf-gafi.org/publications/fatfrecommendations/?hf=10&b=0&s=desc(fatf_releasedate)). There're several videos about money laundering. The first video showed what role FATF recommendations meant to play. https://www.youtube.com/watch?time_continue=18&v=T1_1hnLbClO. The second video showed the great harm money laundering did. <https://www.youtube.com/watch?v=4cwXifDaCjE>. The third video is brief introduction of the essence of One Belt One Road. <https://www.youtube.com/watch?v=MkAqZjMfLwo>.

5 Does Independent Trade Union Control Huawei Under CCP's Rule?

It was reported by the Financial Times on 16 July 2020 that Mr Barr said Chinese Communist Party(CCP) officials had increasingly sought to pressure American executives into taking action to support their international policy priorities and cautioned that doing so could require them to register as foreign agents. A reader of this article commented that the Wall St. Globalists like Paulson and Buffett would rather invest in Communist China than in the US and would rather create jobs in China than the US.

It should be made clear that the Wall Street, Globalists or communists in USA created jobs for elites of CCP to suppress low paid Chinese workers with no human rights and with no work protection who worked more than 12 hours per day & seven days per week to yield abnormal return and compensation for CCP elites and those bankers. In essence, they are colluding with CCP to bring people all over the world onto the [Road to Serfdom](#). CCP forbade workers to organize their own trade unions and arrested all the leaders of the workers' own independent trade unions.

Mostly leaders of trade unions are also management of employers. The assets of trade unions are also controlled by employers. The trade union in China doesn't protect workers' rights, wastes private businesses' money in the name of trade union expense and never negotiates with employers because trade unions' funds mainly comes from employer's distribution at 2% of gross wages rather than from workers' dues.

Since working as an accountant after graduating from a university with a bachelor's degree in accounting in China, I have never met a chance of casting vote for trade union leaders. When I was working in an accountancy firm, I often worked more than 13 hours per day and 6 days per week especially in busy season because of CCP's uniform date of closing annual accounts, presenting financial statements and preparing annual corporate income tax returns required by the *Accounting Law* and *Corporation Income Tax Law* passed by CCP's rubber-stamp parliament.

As far as Huawei is concerned, Huawei is not controlled by workers. [Huawei](#) is jointly owned by a [trade union](#) which contributed 99.1235% equity capital, and Ren Zhengfei who contributed 0.8765% equity capital. According to the [Trade Union Law of CCP](#), the funds of trade unions come from membership dues paid by union members, monthly allocations of 2% of the total wages of all of its employees paid to a trade union as funds by the employers, **government subsidies** and other incomes. Therefore, it's incorrect to conclude that final control of Huawei lies in a trade union. It's unknown how much government subsidies Huawei's trade union received and what are the terms and condition set upon that. [The excessive reactions of CCP](#) on sanctions against Huawei made the argument untrustworthy that Huawei is controlled by a trade union. Moreover, CCP detained Huawei workers for claiming rights over Huawei and [banned social media comments](#).

Further, we can't judge whether there is a control relationship solely by looking at shareholding ratio in accordance with the [International Financial Reporting Standard 10 Consolidated Financial Statements](#), [UK Companies Act 2006](#) or [US GAAP](#). There're other situations constituting control as stated in the three documents.

The principle of substance over form is mentioned in various accounting standards and regulations and it's advised to follow this principle in understanding Huawei. There're some videos showing who're controlling Huawei in substance as follows.

[Who invented Huawei's 5G?](#)

[Huawei is CCP's People's Liberation Army.](#)

[Huawei: China and UK relationship 'seriously damaged'](#)

Ben's Broadside: Hong Kong and Huawei [I,II](#)

[PLA affiliate Huawei abducts Europe](#)

[Reports: Huawei has closer ties to Chinese military than had been previously disclosed](#)

['Claws of the Red Dragon' exposes connection between Huawei and CCP | China in Focus](#)

[Solution to CCP Totalitarian and No Independent Trade Union](#)

6 Current Misery to Businesses of Communist China since CCP virus

It has been reported by many media that economic crises are following [coronavirus caused by Chinese Communist Party\(CCP virus\)](#) that are also causing misery in Communist China. For example, CNN reported that [This is the worst economic crisis of our lifetimes](#) on 3 September 2020 . Financial Times reported [Banks face toughest test since financial crisis](#) on 10 AUGUST 2020. The Concept of CCP virus could also be extended to all the plagues and disasters brought by Chinese Communist Party(CCP) in a sense since 1921.

It's no surprise that many entities in Communist China met significant economy consequences.

As reported by Esnai on 4 September 2020, [59 entities were delisted from The National Equities Exchange and Quotations \(NEEQ, known as the New Third Board\) for failing to submit 2019 annual reports within deadline of 30 June 2020, remaining till 31 August 2020](#) . Till 2 September 2020, there were 4,928 companies delisted, among which 4,737 companies were delisted due to unlucky reasons. NEEQ, established upon the approval of the "State Council" of CCP in accordance with the CCP Securities Law, is the third equity trading venue of CCP after Shanghai Stock Exchange and Shenzhen Stock Exchange in order to cheat micro, small and medium-sized enterprises.

According to personal professional experiences, it is usually required to pay tremendous tax before listing in the NEEQ as many entities have been cheated with CCP's fake promise of enhancing liquidity and value of shares to disclose income not reported previously in tax returns and pay taxes at heavy rates on the income or gross wages uncharged before. In another Gnews article [No Agency Relation: CCP ≠ Chinese People](#), it's told that CCP has never been elected as an agent of Chinese people and it numerated heavy agency rate for itself specifically both explicit taxes and implicit taxes without approval of Chinese people.

Why fail to submit annual reports?

The reasons of failing to submit 2019 annual reports timely included being unable to pay service fees charged by intermediaries such as audit fees and assisting fees due to poor operation performance, controversies and conflicts among investors and enterprises and significant risks of engaged in suits and being executed resulting in no intermediary such as independent auditor with the will of accepting the service order, as said by Chang Chunlin, the Founding Partner of Beijing Liwu Investment Capital Co Ltd. That is going concern arising from law suits, debt defaults, insolvency caused controversies among entities and investors, inability of paying service fees and difficulty in expressing standard unqualified audit opinions. Usually it's very difficult to collect fees of audit service resulting in qualified opinions or unqualified opinions with going concern or emphasis matter paragraph for clients with going concern or laws suits problems. Rational auditors won't accept such orders pursuant to business experiences. Many audit clients, already in financial troubles, paid audit fees after significant delay in 2019.

Tax pains in court suits

[It's stated in the judgement](#) made by CCP's court on 27 August 2020 as shown below that a company reporting revenue of CNY224m, profit before tax of CNY10m and taxes already paid for CNY3.33m has been required by CCP that it shall pay the

undercalculated consumption tax and related taxes of CNY87.55m and penalty of CNY87.55m. It's estimated that if these taxes were actually paid, it nearly shall go into bankruptcy and liquidation.

江西第肆极能源发展有限公司、国家税务总局江西赣江新区税务局稽查局税务行政管理(税务)二审行政判决书

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南昌铁路运输中级法院 行政判决书

(2020)赣71行终189

Debt defaults

The actual controllers' shareholding in a company named as [H&R Century Pictures](#)(HRCF) were frozen by different courts in turns on 20 July 2020 for 36 months. Because they failed to repurchase CNY846m debt borrowed on 14 December 2016 and due on 12 December 2019 because of heavy debts. Before defaulting on the debts, HRCF acquired H&R Pictures in November 2016 for CNY3bn, which was discovered in July 2019 to cheat on financial statements ended 31 December for years from 2013 to 2015 and H1 of 2016 by overstating revenue, understating and delaying impairment allowance charge on trading receivables and omitting related parties' transactions disclosures. For failing to deliver *The World of Chang'An*, the auditor's report on the financial statements for both years 2018 and 2019 were modified as it gave rise to doubt about whether to adjust impairment allowance charged on trading receivables as said in the auditor's reports. According to Chinese Accounting Standards, revenue and trade receivables shouldn't be recognized before goods are delivered or services are rendered.

Tahoe Group, a developer listed in Shenzhen Stock Exchange, also defaulted in 2020. It stated [in its publication](#) that because of depressing environment for developers, CCP virus, debts mountains at heavy financing cost and severe liquidity problem, it failed to settle debts due including CNY39.23bn borrowings and interest thereon and 1.61bn bonds and interest thereon. A video at the website Gnews showed that it also defaulted on debts due to house buyers because of failing to deliver houses.

Insolvency

[In another case](#), tax burden did let a company go into bankruptcy due to its assets insufficient to settle its liabilities. The said company in bankruptcy was Yiwu City Chengshi Plastic Company Limited. As stated in the judgement, its properties were sold for CNY41.05m but were left only CNY27.55m not enough to settle liabilities of CNY34.32m after being charged taxes for CNY13.5m. As a result, it was accepted by the court to go into bankruptcy and liquidation procedure.

[Wenzhou Lushengbao Shoes Company Limited](#) were declared to enter into bankruptcy on 2 September 2020 and required to be handed over to Bankruptcy practitioner Grant Thornton Accountancy Firm.

[Suzhou City Fengjiu Textile Company Limited](#) were declared to enter into bankruptcy on 20 August 2020 for failing to fulfill the remaining liability of CNY465 thousand after court execution at 12 June 2017. There were two interpretations. In this case, it can be indicated that CCP court procedures for recovering debts are very long. It took over three years from failed execution to declare bankruptcy. Otherwise, it is indicated that despite giving three years' for the borrower to produce sufficient funds to settle the payable it failed due to many reasons including severe environment since 2017 deteriorating in 2020 due to coronavirus. The defaulted debts were due to a supplier. That in turn affected solvency of the supplier.

In Guangzhou, [the failed debts execution cases](#) were published in a website, some of which resulted either in or from bankruptcies and unrecovered worker's wages. Some of the examples were listed as below:

Case No.	Date of Entry	Debt Category	Reason
(2020) Yue0111Execution No.9593	14 July 2020	Wages	No property for execution and not given property reference
(2020) Yue0117Execution No.3432	03 July 2020	Borrowings	No property for execution
(2020) Yue0111Execution No.8809	03 July 2020	Wages	No property for execution and not given property reference
(2020) Yue0117Execution No.3383	29 June 2020	Borrowings	No property for execution

(2020) Yue0114Execution No.6652	09 May 2020	Goods Consideration	No property for execution
(2020) Yue0111Execution No.5426	22 April 2020	Borrowings	No property for execution and not given property reference
(2020) Yue0115Execution No.2014	23 March 2020	Borrowings	No property for execution

Rising vacancy rate

[There was widespread rising vacancy rate of office buildings](#) and debt defaults leading to [office buildings on court auctions arising from CCP virus, severe macro economy, bankruptcies and debt defaults](#). In H1 of 2020, vacancy rate in Beijing, Shanghai, Guangzhou and Shenzhen raised by 7.3, 2.4, 2.4 and 9.0 per cent up to 16.2%, 20.9%, 6.7% and 25.4% respectively year on year, while rental price decreased by 7.6%, 6.3%, 4.8% and 13.6% respectively. Both vacancy rate jump and rental price dropdown in Shenzhen were most significant. There are two videos about empty [Zhonghua Plaza](#) and [Tianhe Prime Business Center](#) in Guangzhou. The vacancy rates in the less affluent second line cities were much worse. Vacancy rate in Nanning was up to 50%.

According to the points mentioned above, it can be safely said that there's no such said recovery claimed by propaganda CCTV of CCP and its agents in the West. It's wiser to stay away from debts and equity shares issued by entities of Communist China. Don't forget that investment include indirect investment via fund management vehicles managed by bankers, financial instruments issued in Hong Kong capital market, deposits in Communist China banks such as Bank of China, HSBC, ICBC, etc.

CCP lied, businesses and the investment thereon in Communist China died.

7 Project Corruption in Communist China

According to personal professional experience in auditing project accounts and government accounts in China, public investment and construction mainly benefited senior officers of Chinese Communist Party (CCP) in the governments and project sponsors despite procurement procedures and public tendering requirement. It at least partly explained why unequal recovering models were preferred in China under communist party rule. The fundamental reasons were lack of free speech, lack of rule of law and no democracy. Because of no rule of law, the failed bidders didn't have channel to claim justice. No free speech lead to coverup of project corruption. No democracy resulted in no challenge from different parties competing for the state power.

In a high railway project that connecting Shenzhen, neighboring Hong Kong, to Maoming, it was found that despite weight variance exceeding the contract threshold for adjusting materials price billed to suppliers, no adjustment was made. Some of the field working records of construction machines and labor were made in pencils and were modified randomly without modification interpretations. Suppliers were incorporated after work on project had commenced. The records of sampling for materials quality test were missing. The bidding process was also questionable. Related work of repurchasing land from property owner for project use would also engage plenty of zones for bribery, inflating cost and suppressing dissidents. There had been many reports about residents during pandemic quarantine and lockdown were forced to lose homes by government police using violence, one of which concerned a small-scale conflict between residents and police in Communist Beijing.

A state-owned company for broadcasting propaganda of CCP requisitioned me to suggest response to weaknesses identified by a government auditor in October 2019. One weakness concerned a local government project undertaken by the company in essence on behalf of real suppliers with close relation to local government. The real suppliers were very small in scale and incompetent to tender in legal form, as a result of which they agreed to share profit with the company in return for obtaining the public project contract. Therefore, the bidding or tendering procedure of China was just in form and invited bribery and cheating.

Many workmates took part in auditing Three Gorges Dam (TGD) migration funds and said that many records were missing. There were same sign-offs for different fund receivers. There should have been lots of other forms of corruption in the project.

It was reported recently that The TGD appeared unable to confront flood in China. [Impacts of Three Gorges Dam on Regional Circulation: A Numerical Simulation](#) published at the website AGU ADVANCING EARTH AND SPACE SCIENCE argued that the anomalous cyclone, which was caused by the low-level southeasterly flow being turned into northeasterly and southeasterly flows before reaching the dam due to the blocking effects of the TGD and the expanding water surface area of the Three Gorges

Reservoir, can evidently enhance precipitation locally under some special atmospheric conditions. It is implied that TGD in certain situation likely increases rainfall that results in floods.

There was [another article](#) holding same opinion. China's Belt and Road Initiative (BRI) sprouted another sinkhole when the Wall Street Journal reported that Chinese officials agreed to help bail out Malaysia's state development fund 1Malaysia Berhad, known as 1MDB, by inflating the cost of infrastructure projects. Recently, [a legal document](#) from Hawaii court indicated that there were many relations between 1MDB case and Chinese Communist Party's illegally lobbying US officials.

In conclusion, CCP is an evil organization that spends money robbed of Chinese victims in ruling by corruption and sinning. It's recommended to be cautious about investment proposals from CCP.

8 ESG Criteria Divest Communist Debentures

Recently, the regime of Communist China (i.e., The People's Republic of China or PRC), hereafter referred to as "CCP regime", published a series of regulations open for comments to persuade foreign investors into trading debentures or bonds. The debentures under rule of CCP regime include government bonds or gilts, enterprise bonds, mid-term notes, etc.

Because of investment in debenture issuers in Communist China ruled by Chinese Communist Party (CCP), the reputation of an investor of ESG (i.e., Environmental, Social, and Governance) will suffer. ESG criteria are a set of standards for a company's operations that socially conscious investors use to screen potential investments. Environmental criteria consider how a company performs as a steward of nature. Social criteria examine how it manages relationships with employees, suppliers, customers, and the communities where it operates. Governance deals with a company's leadership, executive pay, audits, internal controls, and shareholder rights.

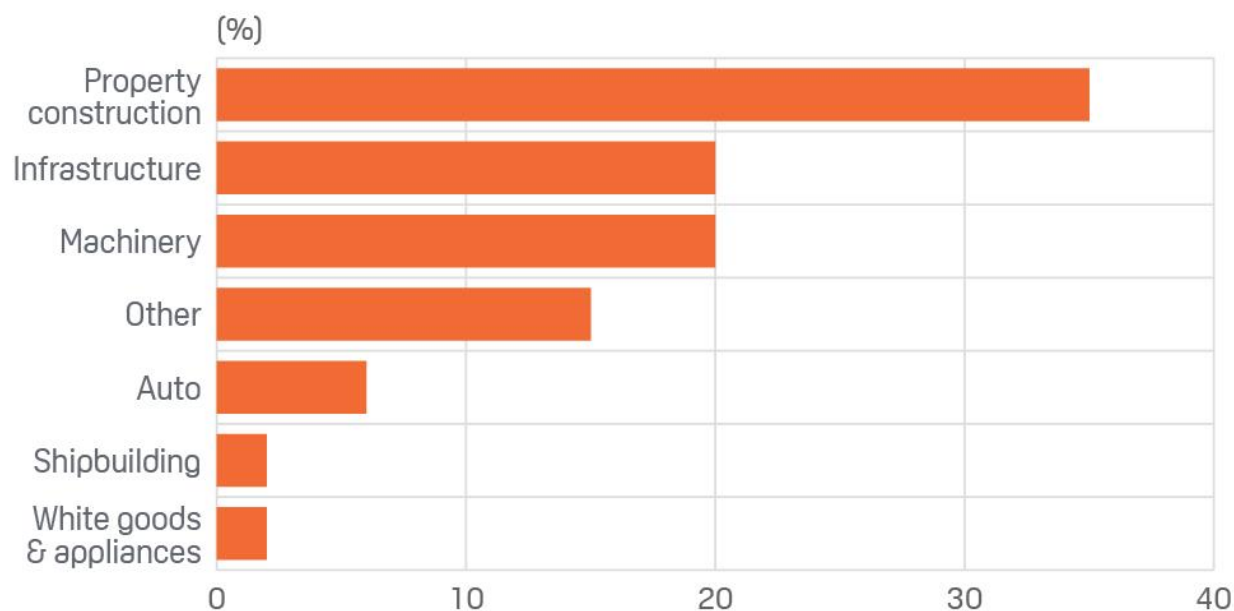
Environmental criteria violation

Environmental criteria may include a company's energy use, waste, pollution, natural resource conservation, and treatment of animals. The criteria can also be used in evaluating any environmental risks a company might face and how the company is managing those risks. For example, are there issues related to its ownership of contaminated land, its disposal of hazardous waste, its management of toxic emissions, or its compliance with government environmental regulations?

The fund generated from debentures issuance mostly are used for infrastructure and property construction that destroy environment and increase carbon emissions.

Infrastructure and property construction consume plenty of steel and iron.

CHINESE STEEL CONSUMPTION BY END-USER SEGMENT

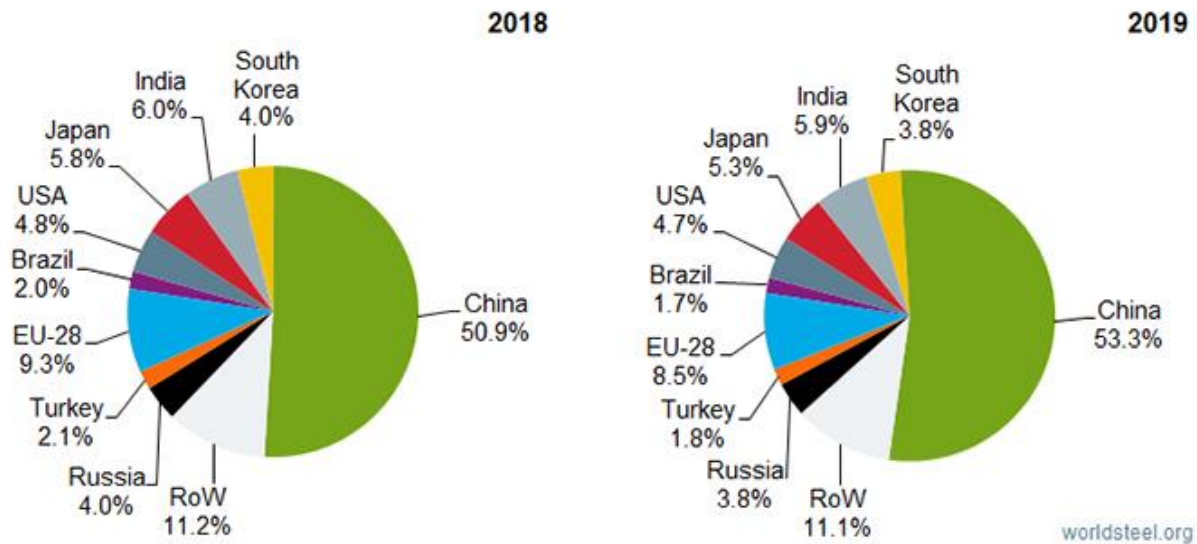


Source: S&P Global Platts, Worldsteel, Analyst reports

Source: <https://blogs.platts.com/2019/12/06/chinese-steel-output-property-macro-metals/>

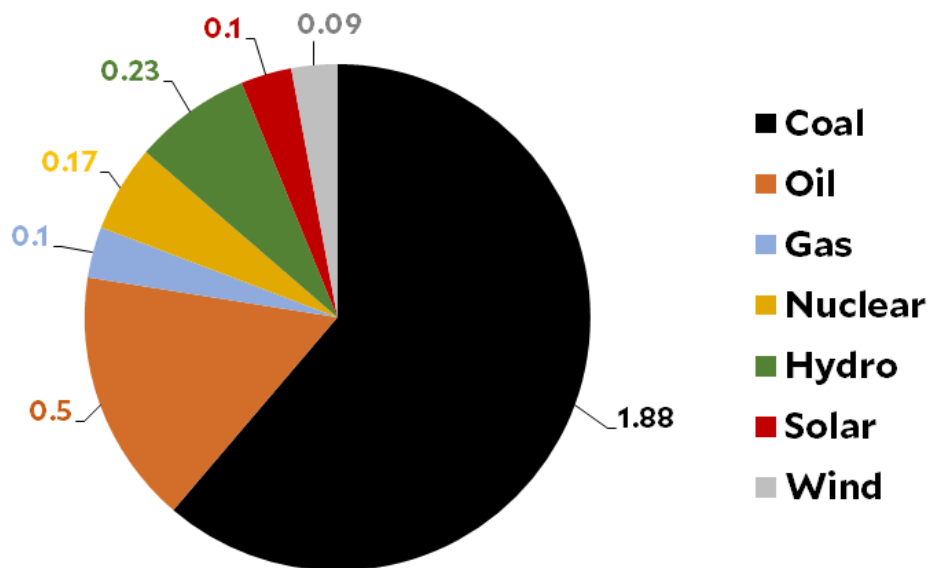
Steel is an alloy based primarily on iron. Communist China numbers top 1 in steel production quantity both in 2018 and 2019.

Share of world crude steel production 2018 & 2019



As iron occurs only as iron oxides in the earth's crust, the ores must be converted, or 'reduced', using carbon. The primary source of this carbon is coking coal. The main energy consumed by China is coal.

Energy Consumption in China Billion Tonnes of Oil Equivalent

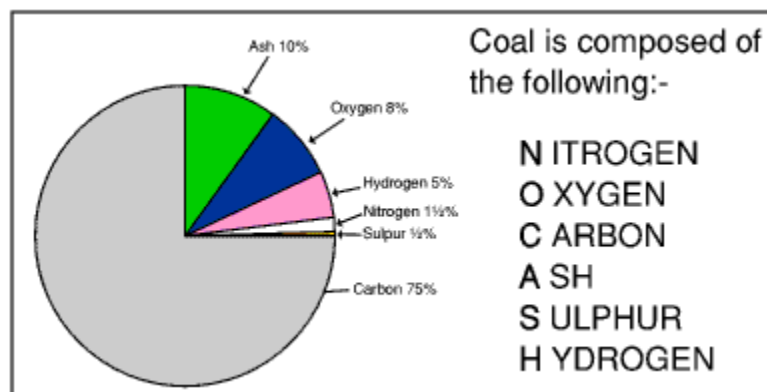


Source: BP

Mother Jones

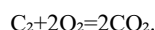
Origin: <https://www.motherjones.com/kevin-drum/2020/01/raw-data-coal-and-renewable-production-in-china/>

Carbon is the main ingredient of coal.

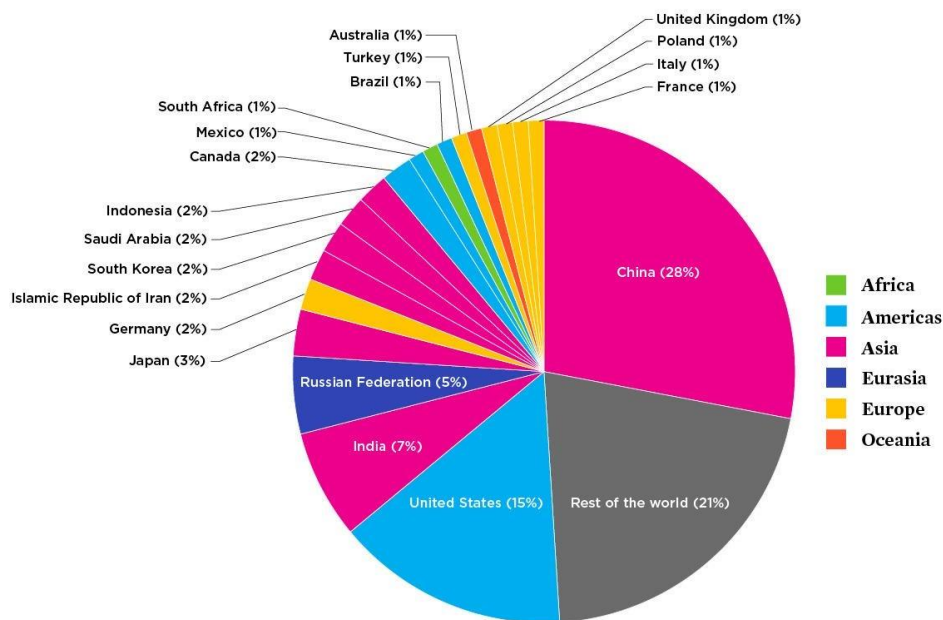


Origin: <http://www.ianrivett.org.uk/imic/combust.htm>

The basic chemistry reaction of energy production is as follows:



Then it's no surprise that Communist China is main contributor of global CO₂ emission.



© 2020 Union of Concerned Scientists
Data: Earth Systems Science Data 11, 1783–1838, 2019

<https://www.ucsusa.org/sites/default/files/styles/original/public/2020-08/co2-emissions-per-country-chart.jpg?itok=jrXDnBZC>

Because coal includes Sulphur, sulfur dioxide is emitted through the burning coal from power plants, industry, automobiles, planes and ships. The sulfur dioxide then finds other atmospheric molecules in the air, combines with them, and forms sulfur-containing particles. And they contribute to acid rain, haze and smog. All of these cause respiratory complications and exacerbate existing conditions such as asthma. In fact, these particulates are considered the air pollutant with the largest public health impact.

Technology used in Communist China is energy inefficient because of slack and unprofessional environment protection enforcement. For each good manufactured in China, much more energy will be consumed. The more made in Communist China invested, the more carbon emissions there will be. In terms of environment protection enforcement, CCP gangsters have more interest in interrupting citizens' living by banning family cooking, banning family coal warming and inflating energy prices charged to residents. At the same time, the systematic monopoly of electricity supply made it difficult for renewable energy producers to sell energy to energy consumers. As a result, solar energy and wind energy grids can't survive without fiscal subsidy despite that they could have been able to be tremendously profitable through consumers' passion for low carbon life, learning curve and scale economy generated by serving large population. Subsidy grant left CCP gangsters huge corruption opportunities. Some renewable energy enterprises survived by cheating bank loans, shares investors via IPO or cheating investors via issuing debentures, etc.

The goods are manufactured using outdated technology causing large scale pollution. The CCP gangsters protected polluters and suppressed dissidents violently. Many people including one of my relatives got ill and have to bear heavy medical cost. Because of monopolized medical industry and corruption of CCP, ordinary impecunious people will pay a heavy price to see a doctor while senior CCP gangsters can enjoy free advanced care. Therefore, the more goods made in China invested, the more pollution there will be in China and the more medical cost Chinese people have to pay.

Construction also destroys natural environment resulting in landslide, less green cover and biological damage.

No free press and no free speech coupled with no rule of law make voices of environment pollution victims silenced.

Social criteria violation

Social criteria look at the company's business relationships. Does it work with suppliers that hold the same values as it claims to hold? Does the company donate a percentage of its profits to the local community or encourage employees to perform volunteer work there? Do the company's working conditions show high regard for its employees' health and safety? Are other stakeholders' interests taken into account?

The debenture funds financed through gilts have been and will be used to buy arms to enforce National Security Law in Hong Kong, enslave Muslims in Xinjiang and Mongolians, suppress protest of unsatisfactory property consumers and force lockdown without life support in Wuhan. As mentioned above, CCP relied on coal for energy and steel production and therefore it uses debenture fund to corrupt any protest in Xinjiang so that it can insure its energy supply at low cost.

Suppression on unsatisfactory property consumers may also cover up overstated revenue included in income statement and may also cover up understated provisions or contingent liabilities. It's usually required that no revenue should be recognized before control over the property is transferred to client and that provisions or contingent liabilities concerning warranty obligations for sold properties should be provided.

Before construction commences, it's usually required to perform forced demolition of homes to give space for construction sites. Many videos at Gnews showed that CCP police gangsters used arms to conduct forced demolitions by treating violently home

owners.



Resource: <https://gnews.org/371927/>

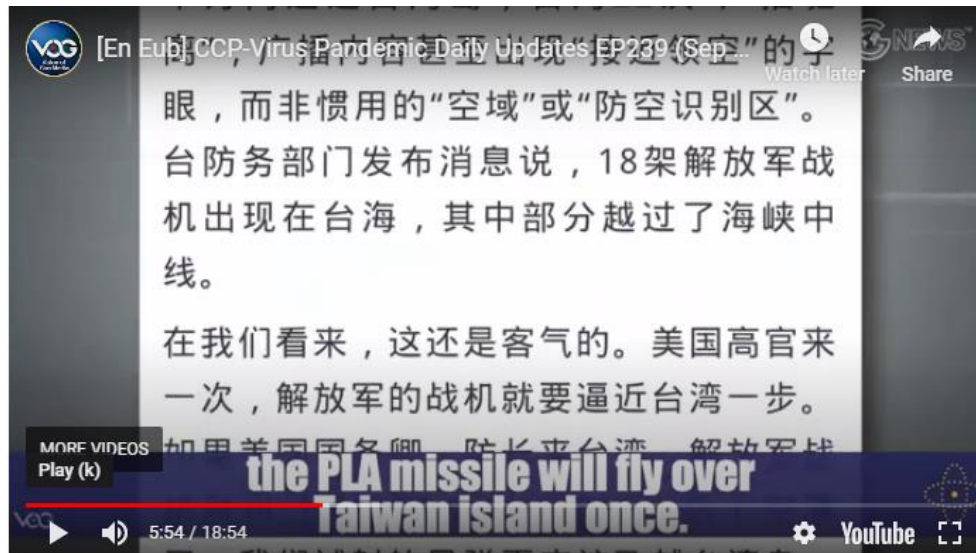
Also because of that, there was huge risk of return being diminished to nil by increased demolition cost subsequently incurred in the project invested through debentures.

Particularly, the funds of CCP regime have been used to fund coronavirus bioweapon manufacturing and covering up resulting in global human disaster. It clearly depicted in Dr. Li-Meng Yan's 1st Report that COVID-19 was made from government lab in Wuhan.



It has been reported in the programs of both WarRoom and Lu De that no effective vaccine has been developed to counter coronavirus pandemic. But CCP regime used arms to force Chinese people to inject ineffective vaccine and do greater harm.

CCP funded by debentures harmed peace in South China Sea both by building military sites and carrying on military provocations with the weapons bought with the debenture fund, threatened security of nearby regions such as Taiwan, Japan and India and coerced European countries and Australia.



Resource: <https://gnews.org/371927/>

Governance criteria violation

With regard to governance, investors may want to know that a company uses accurate and transparent accounting methods and that stockholders are given an opportunity to vote on important issues. They may also want assurances that companies avoid conflicts of interest in their choice of board members, don't use political contributions to obtain unduly favorable treatment and, of course, don't engage in illegal practices.

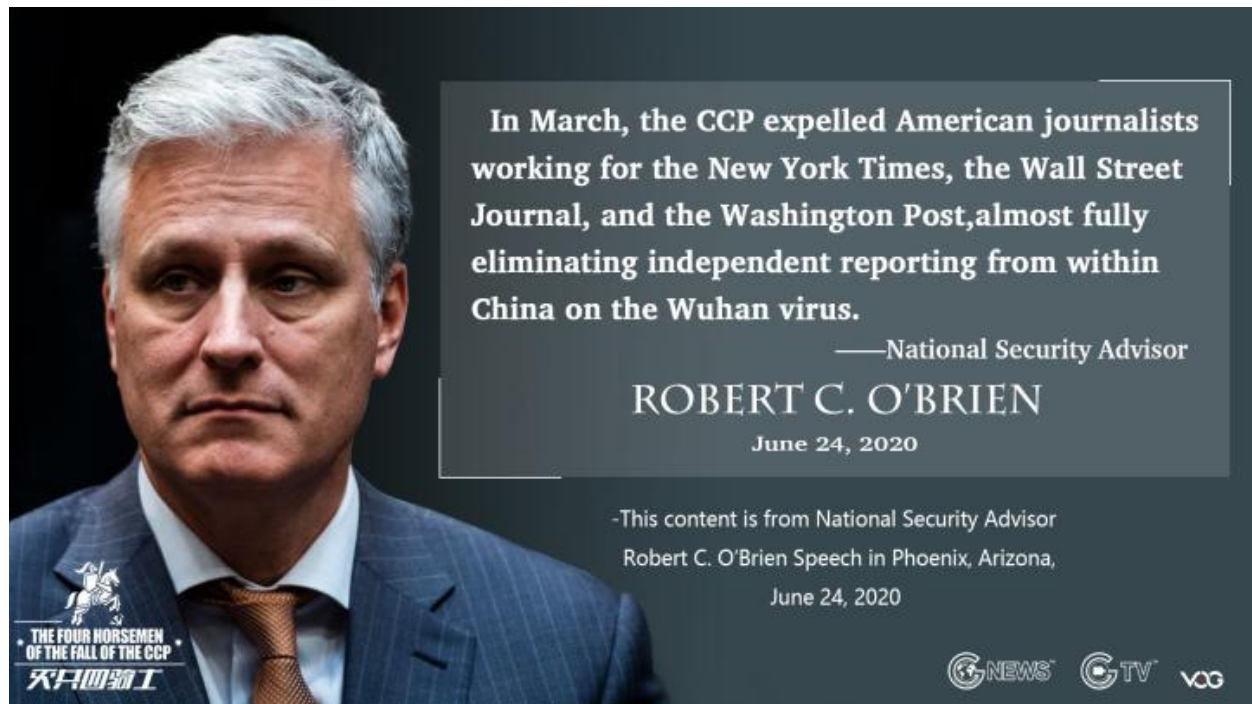
When making decisions about debentures investment, investors need useful information and sound investment environment established on the foundation of democracy, rule of law and free speech.

Information includes both financial information and non-financial information. Financial information includes what financial statements present, valuation of collaterals, grading information and so forth. Useful financial information must be relevant and faithfully represent what it purports to represent in conformance with *Conceptual Framework for Financial Reporting* issued by the International Accounting Standards Board in September 2010 and revised in March 2018. But you can't count on CCP to present useful financial information. As reported in *Important WSJ Article on Accounting Fraud in China* on 7 August 2019 by DayTrading.com, rampant accounting fraud and financial reporting improprieties of CCP can't be ignored when making investment decisions. Another article *Analyzing Chinese Financial Reporting* Posted by Chris Devonshire-Ellis on 7 February 2011 at China Briefing also revealed financial statements misstatements of CCP.

Because of censorship, whatever negative information, extracted from analysis of financial statements or whistleblowing information misstatement, are deleted very soon or directly blocked when it is posted at Weibo, WeChat or blog websites. If the negative information concerning issuers is not deleted but discovered and reported by issuers to a Public Security Bureau, the posters will be disappeared by CCP police gangsters. It's said that Twitter and Facebook also cooperate with CCP by submitting information of dissidents and silencing truth tellers. However, Gnews provides a reliable platform to uncover the true financial information of China. Twitter, Facebook and Gnews are blocked by the Great Firewall (GFW) in China. Only those Chinese with effective VPN can overcome the GFW trouble.

Lack of both independent legal system and democracy make it difficult to uphold rights of investors, whistleblowers, independent financial analysts, independent auditors, independent journalists, highly ethical financial accountants, chief executives, directors of board and so on. Wang Jian and Chen Fenjian, board chair of HNA and China Railway Construction respectively, died of "accident" or "suicide". Dictatorship also extended out of its border. In *Pressured by China, E.U. Softens Report on Covid-19*

Disinformation reported by the New York Times on 24 April 2020, CCP reacted swiftly and effectively to tamp down Western criticism of its pandemic response to revise a news report.



Both equity valuation and grading consider information included in the financial statements and therefore the valuations and gradings of CCP are inflated. What makes matters worse is that CCP deliberately injected funds to inflate prices of assets, most of which are collaterals to debt vehicles.

It's reasonable to expect that investment on debentures of CCP will yield huge principal loss and funds from debenture holders is used to commit human rights abuses and destroy the earth.

9 CCP Control Over TikTok Unchanged Despite Equity Transferred to Microsoft

It's reported by the [Financial Times](#) on 5 August 2020 that the founder of TikTok has defended a plan to sell the US arm of the viral video app, as his investors threw their support behind a bid for the business by Microsoft.

Is there sufficient rationale for Microsoft to acquire TikTok?

Business rationale?

It's mentioned by the Financial Times in the report [The challenges Microsoft faces in buying TikTok's US arm](#) that Microsoft is by far the most trusted US tech company in China and its largest R&D centre outside US is in Beijing. A former Microsoft China executive said if another company had acquired TikTok, it would have inflamed more "nationalism" in China. There was insufficient business rationale for Microsoft to conduct this transaction because Microsoft has often failed with pure consumer products and has a decidedly mixed record with acquisitions and has not been very successful historically with deals focusing on consumers [or] advertising.

Political rationale?

It's also reported by the [Financial Times](#) on 10 April 2019 that Microsoft has worked with a Chinese military-run university on artificial intelligence research that could be used for surveillance and censorship. 3 papers, published between March and November in 2018, were co-written by academics at Microsoft Research Asia in Beijing and researchers with affiliations to China's National University of Defense Technology of Chinese Communist Party (CCP) Central Military Commission. It's reported by [The National Pulse](#) that Microsoft attended CCP's AI Conference alongside Chinese military proxies and for decades American corporates have sought expanded market access in China, neglecting national security and data privacy concerns in the

name of profit. [Bill Gates](#), the Microsoft billionaire, chairs a nuclear power initiative working alongside a Chinese energy company deemed a military asset by the U.S. government. Gates has also extolled China's economic exploitation of Africa as "valuable" and "beneficial." Terrapower, a nuclear energy research company founded and chaired by Gates, works with China National Nuclear Corporation (CNNC), a wholly government-funded and administered company. The state-owned enterprise is involved with "the development of China's nuclear energy programs, both civilian and military." The U.S. Department of Defense had quietly identified CNNC as a Chinese military collaborator since 1999. Should Microsoft be identified and registered as a foreign agent with [The Department of Justice](#)?

How may CCP "solve" American Security Concern by Selling TikTok to Microsoft?

There are fiscal budgets that can be modified easily by CCP for technology advancement each year in China. The budgets are classed into general budgets and special project budgets. In the special project budgets, there will be CCP technology advancement compensation arrangement specific designed for paying the cost incurred by Microsoft China's TikTok acquisition cost. In the compensation arrangement, there will be terms and conditions, which is equal to contract that requires Microsoft to conform with CCP's "national security interest and regulations" that must be satisfied by the payee. However, it's more often than not that the real terms and conditions are notified orally or via telephone call that is not subject to recording.

The whole transaction will be that Microsoft applies for fiscal compensation that will be approved very quickly and budget adjusted quickly after being notified by CCP's National Security Agent, acquires TikTok using funds in America and then gets grant. The approval documents may specify that Control over TikTok shall be exercised by CCP's National Security officials.

How To Judge Control Over TikTok?

It's indicated both in the International Financial Reporting Standards and US GAAP that CCP's control over TikTok can exist through contract, majority voting power in a governance body or other arrangements rather just through shareholding. Therefore, it's totally absurd to judge that control over TikTok will be transferred from CCP to Microsoft given that Microsoft is an agent of CCP in essence.

Consumer's privacy concern should preside over all the business concern and we should not trust lies told by CCP through Microsoft indirectly.

CCP is a totalitarian company that uses TikTok, a tool, to commit crimes. One effective solution to this problem for America is to obtain control of CCP by requiring CCP to exchange its coronavirus liability for American equity control of CCP, that is debt is converted to equity, and disband the CCP.

Current solution is in effect covering up the substance of control. Even though CCP sells shares of TikTok to Microsoft and collects dollars but it can then give back Microsoft money in Chinese Yuan or free land, subsidies or other privilege to Microsoft China to retain control of TikTok through agreement.

Americans should learn from past mistakes of being played games by CCP. Microsoft is silent on the problem that the widely used Chinese WPS for free used similar technologies of Microsoft Office. Don't count on Microsoft on upholding security and privacy of Americans. Please stop dreaming.

CCP lied, Americans died.

10 Why to Send USD to Chinese Communist Party

Hard truths of accounting practice

Two sets of accounts

It's unwise to invest in any financial instrument issued by Chinese entities (CCP-based companies) at all based on the widespread accounting fraud in China unless Chinese Communist Party(CCP) is taken down. Don't forget the lesson of [Guangdong International Trust and Investment Corporation bankruptcy](#) caused by CCP. CCP government has defaulted on [\\$1.6 trillion of century-old Chinese debt, including interest](#) as reported by the Fox Business.

The financial instruments issued by CCP-based companies suggested not to invest include shares, bonds, Certificates of Deposit and related derivatives that may also be issued by financial institutions. Shares traded in international capital markets have been issued by Alibaba, Baidu, Tencent and so on. Bonds have been issued by China Evergrande Group, China Vanke Co. Ltd, Times China Holdings Ltd, [etc.](#) Related derivatives include call options and put options based on shares of Alibaba, Baidu, etc.

It's a truth universally acknowledged in the accounting industry under CCP's rule that it's a prevailing practice that there're two or more different sets of accounts for companies including state-owned enterprises, one that for external use subject to external audit but in fact useless(external account) and the other ones for internal use not subject to external audit(internal accounts). Accountants carrying out due diligence for business buyers usually investigate internal accounts for helping buyer evaluate targets and read external account and tax returns just for assessing potential tax liability. An accounting fraud was incurred on CCP's [One Belt One Road](#) Project in Pakistan as reported by THE DIPLOMAT.

For what purpose did two sets of different accounts co-exist both in private businesses and state-owned businesses even in government agencies?

1.Tax avoidance: Understate revenue, assets and profit mostly for private businesses and for some government agencies that generated taxable income but didn't want to hand income to treasury.

2.Maintain political position and obtain promotion and unjust compensation for management: Overstate revenue and profit mostly for state-owned enterprises and government agencies. During the Great Famine period between 1959 and 1961 , CCP management in the People's Communes overstated grains production to elevate themselves to higher position in CCP so that excessive agriculture tax was charged leading to Great Famine mass deaths while CCP donated money generated by selling grains to foreign countries to get majority international support.

3.Obtain advantage in financing and projects bidding: Overstate overall financial condition and financial performance to get better rating grades for cheaper debts or debentures financing and higher shares flotation price and not upsetting investors.The project organisers often set requirements about assets, revenue and employee qualifications that have to be satisfied by bidders through manipulating accounts and paying social insurance charges for qualification holders that actually don't work for them but get registered with qualification issuers through the bidders.

How did Chinese business accountants prepare external accounts?

They prepare external accounts actually not in conformance with [Accounting Standards for Business Enterprises](#)(CAS),neither accrual basis nor cash basis, but in conformance with [the Measures on Administration of Invoice](#)(invoice basis). The International Federation of Accountants (IFAC) indicated that CAS only partially adopted International Financial Reporting Standards(IFRS). The financial statements comprise balance sheet and income statement but no statement of changes in equity, no statement of cash flow and no note. Revenue, assets, expenses and other items in the financial statement are recognised at invoiced amount. Where there's no invoice, no recognition and no measurement of transactions.

Although shipping cost incurred on materials and non-current tangible assets is cost element of both inventory and non-current tangible assets, it is usually charged in sales/administrative fees account. If the item name in the invoice appears to be an asset name, it is charged to assets account. Payment or fund collection with unspecific purpose and no invoice are charged to other receivables or other payables account. Depreciation and amortisation on non-current assets is calculated in conformance with the [Enterprise Income Tax Law](#).

Audit failure

Standards on Audit under CCP's rule only partially adopt International Standards on Auditing issued by the International Audit and Assurance Standards Board. However, they are seldom followed strictly. Many auditors prepared financial statements for clients disregarding objectivity and independence requirement established in the [International Code of Ethics for Professional Accountants](#) issued by The International Ethics Standards Board for Accountants. They made accounting estimate such as receivables impairment and consolidating schedules for clients that should be audited by themselves. They sometimes failed to audit the bank balance reconciliations, receivables reconciliations and inventory reconciliations. They often failed to audit revenue recognition based on the economic substance of transactions.

Examples of audit failures in China

Gross violation of ethical standards

Because business accountants usually prepare financial statements in accordance with invoice basis and auditors are required to issue audit opinion on whether financial statements are prepared fairly in conformance with IFRS or CAS, then auditors have to transform the financial statements on their own. Auditors often tender through close relations, low price or selling audit opinion and don't bother management of clients. There's a wrong assumption in the auditor's assignors, which are often also the chief executive or an executive director to auditee, that auditors called as accountants are responsible to prepare annual accounts and then issue an auditor's report on the accounts.

Failed quality control

Many audit engagement partners are too busy to make audit strategy and make audit plan to allocate sufficient time for directing, supervising and reviewing audit work carried out by associate and allocating sufficient resources to important areas.

Graduates recently recruited are assigned tasks without proper training, direction and supervision. They are required to finish assigned tasks in conformance with procedures list in the audit working model without any modification and fill in model sheets.

There's no robust internal quality control scrutiny system that has been strictly enforced.

Exam procedure is not usually included in auditor firms' training program. Many auditors' continuing professional education are not finished by themselves but through listening to online lectures and answering online questions by other personnel.

Partners' remuneration are heavily dependent on finished revenue amount calculated according to collected fees.

Although many self-disciplining auditors bodies or government agencies designated as inspection bodies by The Certified Public Accountants Law inspected audit firms' working papers, they seldom published inspection reports on audit quality for each audit firm respectively in the same way as the UK FRC did.

Communication with preceding auditor

It's usually thought out when the requirement is raised by a very careful quality control partner before signing reports. However, the partners of the preceding auditor are businessmen who only care fees and it's usually difficult to contact with preceding auditor for communication on material audit matters.

Communication with those charged with governance

It's very rarely for auditors to communicate with those charged with governance in conformance with ISAs.

Audit failure on opening balances

They think that opening balances of some items are not subject to inspection as they can be verified by preceding auditor's report even though they constitute closing balances.

Audit failure on risk response

Risk directed audit method is not adopted and there's no clear relationship between risk assessment and further audit procedures. Results of financial analysis carried both on financial statements and on specific items indicate nothing even though there's abnormal change or abnormal no change.

Audit failure on group audit

They often fail to question consolidation scope, whether control exists and whether consolidated results represent faithfully the substance of transactions.

Impairment test of goodwill, other non-current assets, cash generating units or groups is conducted by auditors themselves. If auditors don't want to bother impairment, no test and no criticism. Sometimes, question no equity accounting for investments in associates and joint ventures is neglected by auditors.

Audit failure on inventory

Observation of inventory counting is not planned carefully. Condition of inventory is not paid sufficient attention to. Cost formula and its application consistency are rarely assessed and tested. No reconciliation among counts record, warehouse records and accounting record is audited. Inventory impairment test is often conducted by auditors themselves.

Audit failure on financial instruments

[The investment on fund management vehicles issued by banks is not tested sufficiently due to no detailed information prepared by banks and even no investment contracts left.](#) It's a prevailing fact in the Chinese audit industry that financial institutions in China including branches of central bank The People's Bank of China are reluctant to reply to confirmations sent by auditors and they often charge a fee for the reply from client's account. For example, China Construction Bank supplied false information in the reply to all the confirmations by stating the interest rate of deposit at 0% rather than 0.36% in the reply but suffered no consequence.

Sometimes, reconciliations of financial instruments accounting records with banking statements are neglected.

Auditors often don't ask for what purpose the investment is conducted and the background to fully understand the transactions so that they always acknowledge the accounting treatment of clients disregarding business model and requirement of classifying hedging, speculation or trade.

Auditors naively think that prepayments in the balance sheet are really prepayments without considering the transaction purpose and background.

Impairment testing is conducted by auditors themselves.

Proper classification of equity instrument and debts instrument from the point of issuers are sometimes unquestioned by auditors.

Audit failure on revenue recognition

Auditors often don't question whether the client is an agent or principal to the transaction and revenue recognition time by not analyzing the business model and related evidences.

Big Four

Although most CCP-based companies issuing financial instruments in international capital markets are audited by Big Four, that is Deloitte, Ernst & Young, KPMG and PricewaterhouseCoopers, there're many weaknesses in Big Four's audits as indicated by the UK Financial Reporting Council [publications](#) and by the US PCAOB [publications](#). As reported by the Financial Times, big four were engaged in a series of [misconduct cases](#) in the UK.

Refuse international scrutiny

Moreover, the Public Company Accounting Oversight Board(PCAOB) has for years been unable to review audits of CCP-based companies because CCP prohibits PCAOB from inspecting auditing firms under its rule and bars sharing internal audit documents in the same way [it rejects call for probe into origins of coronavirus pandemic](#). PCAOB is a nonprofit corporation established by American Congress through [The Sarbanes-Oxley Act of 2002](#) to oversee the audits of public companies in order to protect investors and the public interest by promoting informative, accurate, and independent audit reports.

Hard truths of PESTEL analysis results

Politics

There's terrible political environment of dictatorship, rule by police, by gangs, by cheating and by corruption and lack of free speech in China because of CCP rule. CCP recently sentenced four Canadians to deaths. A CCP spokesperson said Canada "knows the root cause" behind recent death sentences for Canadians facing drug charges, the latest escalation in conflict between both countries following the arrest of Huawei executive Meng Wanzhou, as reported by the [Independent](#).

Economy

Most people are living in poor. There's no worker protection, no property rights protection and a few wealth putting money in the West such as the US. The reports boasting about abundant of customers in China are fake news.

Society

Where there's communism and no freedom of religion or no God's freedom of speech, there's no faith. The common features of misinformation of coronavirus, fake news of vaccine and accounting fraud made by CCP are cheating, punishing whistleblowing, rejecting international scrutiny and lack of faith. Lack of faith, you can't count on information transmitted by CCP faithfully represent what it purports to represent.

Technology

There is widespread intellectual property theft and suppressing innovative thinking.

Environment

Environment is destroyed due to economy great leap forward for many years resulting in pollution, overfishing and overbuilding leading to frequent sand storms and floods.

Legal

There's no rule of law. There are no such strict punishment provisions in [Chinese Company Law](#) as in the UK [Companies Act 2006](#) and other relative UK legislations about director's responsibilities.

Isn't there sweeping PESTEL change in Hong Kong following National Security Law enactment and revocation of special autonomy status? Are you sure your investment both in Hong Kong and in China mainland will not be reduced to nil or negative given that Hong Kongers are bleeding every day because of your investment in tyranny?

Conclusion

Finally, it's worthwhile to empathize that lack of faith, you can't count on information transmitted by CCP faithfully represent what it purports to represent and you have to think twice before risking your dollars, euros or British pound sterling into the hands of CCP through bankers.

If you want to share the population benefit and achieve great return on investment in China, please join in Whistleblower's Movement to take down CCP to alter the PESTEL and eliminate accounting fraud.

11 Poisonous Assets to Collapse Financial Market of the West

Part of reasons why some dollars arising from bonds purchase don't flow to Americans is that Chinese Communist Party(CCP) gets these dollars by overstating assets and income. Although great income was reported in financial statement, CCP enterprises such as Baidu, Alibaba didn't pay dividends as frequently as Google. Financial performance can't support cash outlay.

CCP gets dollars not just through selling stocks but also selling bonds of real estate companies that are given improper ratings based on overstated accounts and inflated home prices by excessive Chinese Yuan supply. The M2 pumped into market by the People's Bank of China far outpaced that was pumped into financial market by Fed, ECB and BOE.

As a result of successful dollars inflow, senior class of CCP officials benefited a great deal from higher salaries. For example, the payroll of a government agency as of January of one year is as follows.

Currency unit: CNY

职务 (技术等级)	省部级正职	副省	副省	副省	省部级副职	正厅	正厅	正厅	正厅
Position Level	Formal Provincial - Ministerial	Vice Provincial	Vice Provincial	Vice Provincial	Deputy Provincial - Ministerial	Bureau-Director	Bureau-Director	Bureau-Director	Bureau-Director
Salary Paid Actually	77,000	61,000	61,000	61,000	60,000	53,000	53,000	53,000	52,000
职务 (技术等级)	正厅	正厅	巡视员	正厅	副巡视员	副秘书长	副厅级纪检员	正处	副厅
Position Level	Bureau-Director	Bureau-Director	Inspector	Bureau-Director	Vice Inspector	Deputy Secretary General	Deputy-Bureau-Disciplinarian	Division-Head	Deputy-Bureau-Director
Salary Paid Actually	52,000	52,000	52,000	52,000	46,000	45,000	45,000	45,000	45,000
职务 (技术等级)	副主任	副厅	副厅	副厅	副厅	副厅	副巡视员	纪检组长	
Position Level	Deputy-Director	Deputy-Bureau-Director	Deputy-Bureau-Director	Deputy-Bureau-Director	Deputy-Bureau-Director	Deputy-Bureau-Director	Vice Inspector	Discipline Bureau Director	
Salary Paid Actually	45,000	45,000	45,000	45,000	45,000	45,000	45,000	45,000	

Note: CNY1,000= \$143

If the West is not careful enough, the West will soon be murdered by viruses, poisonous assets and misstated accounts from CCP.

Investors should better withdraw all the investment in China mainland and Hong Kong as soon as possible given that further sanctions on Chinese Communist Party from the West and suppression from CCP will render your investment worthless. There is [a precedent case](#) reported by the Financial Times.

Corruption and bribery lead to blasting in Beirut of Lebanon, making and covering up coronavirus pandemic, man-made Great Famine and Hong Kong human rights violation. It's necessary to counter corruption and bribery robustly.

For updated content, please visit: <https://cpajim.blogspot.com/2020/08/poisonous-assets-to-collapse-west.html>.

12 Material CCP Totalitarian Risks Imbedded in Lufax Holding Ltd's Accounts

Lufax is just a part of CCP pond scheme stream.

It was reported by the Financial Times (FT) on 8 October 2020 that Lufax announced plans for a US IPO even as Trump pushes a plan to delist companies from Communist China (PRC) reigned by Chinese Communist Party (CCP) (See reference 1). Lufax's debut was just part of listing activity stream by PRC companies on US exchanges and 102 Chinese firms FT reported on 11 October 2020 have debuted on the New York Stock Exchange and Nasdaq, elevating \$25.5bn, in keeping with information from analysis agency Dealogic since Trump became US President four years ago. Throughout Mr Obama's eight years 105 preliminary public choices of PRC firms were held in the US, which raised a complete of \$41bn thanks partly to the blockbuster \$25bn of ecommerce group Alibaba in 2014 (See reference 2). Ant Group recently was also launching IPO in Hong Kong before Hong Kong lost access to dollar supply.

However, there are many auditing and accounting problems remaining unresolved satisfactorily. New York-listed PRC companies have been the topic of scandals, such as Luckin Coffee delisted by Nasdaq after admitting to fabricating gross sales.

According to report by Reuters (see reference 3), PRC says it has made concessions in proposing to let U.S. regulators to audit some of its most sensitive companies but would insist on redacting some information on national security grounds. Many people forget that it is national security that hinders PCAOB inspection. There is an abstract of SEC's statement, "PRC's state security laws are invoked at times to limit U.S. regulators' ability to oversee the financial reporting of U.S.-listed, PRC-based companies. In particular, PRC laws governing the protection of state secrets and national security have been invoked to limit foreign access to PRC-based business books and records and audit work papers. As a result, for certain PRC-based companies listed on U.S. stock exchanges, the SEC and PCAOB have not had access to the books and records and audit work papers to an extent consistent with other jurisdictions both in scope and timing." In consequence, Trump decided to delist PRC entities but subject to serious delay.

Financial Statements of Lufax in the SEC Statement

Lufax published its *FORM F-1 Registration statement for certain foreign private issuers UNDER THE SECURITIES ACT OF 1933* on 7 October 2020 (See reference 4). The consolidated statements of financial position of Lufax Holding Ltd and its subsidiaries (the "Company") as of December 31, 2019, 2018, 2017 and January 1, 2017, and the related consolidated statements of comprehensive income, of changes in equity and of cash flows for each of the three years in the period ended December 31, 2019, including the related notes were audited and given an unqualified opinion by PricewaterhouseCoopers Zhong Tian LLP on 28 July 2020 which was located in Shanghai (SHPWC), PRC. The accounts were said to be prepared in conformance with IFRS.

Risk of lack of audit objectivity and independence

CCP have set work units or cells in both SHCPA and SHPWC as indicated by the express of SHCPA (see reference 5). CCP also have unit in Lufax (See reference 6) which was set up in Shanghai. Therefore, CCP units of SHPWC, SHCPA and Lufax are subject to control of CCP Shanghai unit according to the grade system of CCP. SHPWC, Lufax's auditor, won't have the same objectivity and independence as in the West as it's more likely to be influenced through CCP by Lufax's management for example through bribery, political interest exchange or inspection interest exchange. If objectivity and independence are compromised due to undue influence, bias or other concerns, auditors can't be expected to demonstrate professional competence, scepticism, professional conduct and due care when performing audit work. Auditors will be unable to challenge management judgement confidently.

Risk of financial performance overstatement for the year ended 31 December 2018

Comparison of consolidated financial performance of year 2018 with that of year 2017 as follows.

		2017	2018	Increase rate	2019
	Column No.	1	2	3=(2-1)÷1	4
	Row No.	RMB'000	RMB'000		RMB'000
Technology platform-based income	1	17,221,116.00	32,221,439.00	87.10%	41,929,077.00

Sales and marketing expenses	2	-7,450,984.00	-10,766,966.00	44.50%	-14,931,096.00
General and administrative expenses	3	-2,822,510.00	-2,796,098.00	-0.94%	-2,853,049.00
Credit impairment losses	4		-934,594.00		-1,862,745.00
Asset impairment losses	5	-3,735,786.00	-7,492.00	-99.80%	-134,516.00
Impairment loss totalled	6=4+5	-3,735,786.00	-942,086.00	-74.78%	
Profit before income tax	7	8,363,712.00	18,649,260.00	122.98%	19,433,841.00
Less: Income tax expenses	8	-2,336,723.00	-5,073,326.00	117.11%	-6,116,697.00
Net profit for the year	9	6,026,989.00	13,575,934.00	125.25%	13,317,144.00
Cash generated from operating activities	10	3,945,410.00	1,537,249.00	-61.04%	6,422,582.00
Income tax paid	11	1,270,693.00	2,989,616.00	135.27%	4,230,688.00
Net cash generated from/(used in) operating activities	12	2,674,717.00	-1,452,367.00	-154.30%	2,191,894.00

Technology platform-based income in 2018 rose by 87.1%, while general and administrative expenses and total impairment losses contrasted 0.94%, 74.78% respectively and sales and marketing expenses only increased by 44.5% resulting in profit before income tax surge by 122.98% in 2018. Thereon, for the year ended 31 December 2019, it tried to rationalize technology platform-based income and profit before income tax respectively of RMB41.93bn and 19.43bn while credit impairment loss increased to 1.86bn.

Despite substantial increase of profit before income tax in 2018, cash generated from operating activities slide down 61.04% to RMB1.54bn which was only 8.24% of profit before income tax. The profit number is questionable.

Material tax risk imposed by CCP turned cash generated from operating activities into negative

In 2018, income tax paid increased 135.27% to RMB3bn resulting in net cash generated from/(used in) operating activities of negative RMB1.45bn. In 2019, income tax paid raised further substantially by 41.51% to 4.23bn and consequently net cash generated from/(used in) operating activities was less 65.87% than cash generated from operating activities for the year 2019.

Statement of cash flow indicated business is investment and reinvestment rather than technology platform service

Though it claimed it was principally engaged in retail credit facilitation and wealth management businesses, from 2017 to 2019, both proceeds from sale of investment assets and payment for acquisition of investment assets were above RMB112bn as follows which indicated it made many investments deals each year.

	2017	2018	2019
	RMB'000	RMB'000	RMB'000
Proceeds from sale of investment assets	112,224,538	134,989,169	118,648,110
Payment for acquisition of investment assets	-113,566,600	-132,109,150	-128,570,535

Risk in defending investors' rights under CCP totalitarian

It's not fresh in PRC that investment deal was usually used for transferring fund to CCP gangsters cheated from investors via platform or other means. Given no rule of law, no free speech and Great Firewall, it's usually difficult for investors and fintech platform users to defend rights. Courts, police and Lufax shared direction and leadership of CCP. As many videos at Gnews website showed, investors who defended rights often suffered CCP police gangsters' violence.

Risk in foreign currency conversion

There are three broad categories of exchange rate systems. In the free-floating systems, exchange rates are set purely by private market forces. In the managed float systems, currency values are allowed to change, but governments participate in currency markets in an effort to influence those values. Finally, in the fixed exchange rate system, governments may seek to fix the values of their currencies.

As far as RMB is concerned, CCP adopts managed float systems which is a kind of dirty exchange rate system and entitles CCP ease of manipulating exchange rate. CCP is an organized crime organization. Recently onshore-RMB jumped 1.45% over USD to 6.693 on 9 October 2020 but The People's Bank of China soon adjusted its policy to stop RMB appreciation and onshore-RMB fell 0.9% to 6.754 on 12 October 2020.

Lufax's major operations are within the PRC and return on investment is impacted heavily by RMB's exchange rate. Although it presented financial statements using RMB, its shares will be invested and divested via USDs and return, if any, will also be realized in USDs. If its shares are purchased after RMB has already surged much, it's more likely to suffer great loss if CCP manipulates exchange conversion rate downside.

A risk can't be neglected that PRC will have liquidity problem in that if Qing Dynasty's USD1tn bonds are demanded to repay by PRC, RMB is likely to fall a lot.

Risk in misapplying consolidation accounting standard

Just as disclosed in the note to its accounts, it is required to judge whether it is an agent or principal in relation to structured entities and therefore possible to result in misstatement. With respect to the Consolidated Affiliated Entities as well as other subsidiaries in the consolidation scope, it may fail to apply IFRSs in the group accounts in all the aspects such as recognizing revenue, classifying financial instruments as well as categorization of cash flow as if the whole group is a single entity. It's unsure whether Lufax has made such mistakes.

Risk of understatement of provision for impairment losses

Provision rate of receivables and contract assets is calculated as below.

	Row No.	2017	2018	2019
		RMB'000	RMB'000	RMB'000
Principals of accounts and other receivables and contract assets	1	18,691,743	20,347,160	26,698,064
Provision for impairment losses	2	225,069	252,324	401,626
Provision rate	3=2÷1	1.20%	1.24%	1.50%

Provision rate of loans to customers is calculated as below

	Row No.	2017	2018	2019
		RMB'000	RMB'000	RMB'000
Principals of loans to customers	1	101,760,563	36,021,540	48,749,826
Provision for impairment losses	2	4,207,626	1,593,846	1,251,314
Provision rate	3=2÷1	4.13%	4.42%	2.57%

Given subjective character in judging expected credit loss on receivables, contract assets and loans and severe macroeconomic condition that already have begun since 2015 when local governments even in Guangdong had to replace outstanding bank loans with new bonds issued and subsequently conversion of debt to equity scheme was mentioned for those bonds issued by local government owned entities and the situation deteriorated due to environmental protect storm, CCP corruption and tariff conflicts, the impairment loss provision rate is likely to too low.

Risk of fair value valuation manipulation

Most of its financial assets at fair value through profit or loss (FAFVPL) were not measured in Level 1 fair value hierarchy. Level 2 and Level 3 fair value hierarchies are more likely subject to valuation manipulation. If any manipulation, the fair value of those assets will be overstated. There's a table to show its financial assets measured using non-Level 1 fair value hierarchy.

	Row No.	2017	2018	2019
		RMB'000	RMB'000	RMB'000
Non-Level 1 FAFVPL	1	14,084,184.00	15,168,771	12,850,214
FAFVPL	2	14,965,683	16,444,395	18,583,056

	Row No.	2017	2018	2019
		RMB'000	RMB'000	RMB'000
Non-Level 1 ratio	3=1÷2	94.11%	92.24%	69.15%

Conclusion

According to the discussions above, because many manipulation risks are implicit in fair value measurement, impairment loss measurement, consolidation accounting and there's operation cash flow scarcity and lack of reliable audit in PRC, revenue and profit reported in the income statement were likely to be overstated. The investment cash flow shows there's huge risk in its business model. On account of significant risks in tax reducing operation cash flow to negative, exchange rate, politics and so forth brought by CCP totalitarian, it's unlikely to realize any dividend income from investment on Lufax. More likely, the investment on Lufax will be used by CCP to buy police arms to compromise rule of law, press freedom, conduct BGY scheme and build Great Firewall or research bioweapons.

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13 How Listed Companies of Communist China Misstated Financial Statements in 2019

It was reported by ESNAI on 24 September that Accounting Department of CSRC of Chinese Communist Party (CCP) reviewed 924 listed companies' financial statements for the year ended 31 December 2019 in Communist China. After the review, CCP concluded that quality of application Enterprise Accounting Standards of Communist China (CAS) and presentation of financial information of listed entities was fine, although it found so many misstatements.

Auditor's opinion

3,847 companies published annual reports, among which 1 company was given adversary opinion,45 companies were given disclaimers of opinion, 126 companies were given qualified opinions and 102 companies were given unqualified opinions with emphasis of matter paragraph. Two companies failed to publish annual reports, while one company delayed publication to 30 September 2020.

CCP virus's impact on annual reports publication and financial performance

Because coronavirus pandemic was made, delivered and covered up by Chinese Communist Party intentionally, the coronavirus was called as CCP virus. On 23 September 2020, fiscal budget and performance reports of the entities mentioned by Li-Meng Yan's report concerning CCP virus couldn't be found on their websites after I spent whole day searching despite those entities being funded by fiscal funds.

118 companies decided to suspend publishing annual reports and they could publish key operation performance indicators ahead of annual reports publication after getting CSRC's approval.

CCP virus affected annual financial statements presentation and auditor's work in the following ways.

No.	Impacted person	Situation	Specific impact
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1	Employees	Some offices were located in the pandemic impacted heavily regions and lockdown	Returning to job positions to resume work was seriously restricted
2	Some key auditors	Pandemic induced lockdown	Unable to carry out important audit procedures and inspect material documents
3	Auditors	Customers and suppliers of some companies were dispersed globally	Unable to finish audit procedures in time such as confirmation, interview, etc.
4	Auditors	First time being assigned as several companies' auditors after auditor change leading to plenty of work	Extend auditors' time
5	Outside experts	Goodwill impairment testing, assets valuation, etc.	Unable to finish in time

Impact of CCP virus on auditor's opinion was more obvious in the companies suspending publication of annual reports. There were 71 companies which were given unstandardized audit opinions as follows

Auditor's opinion	Reasons of CCP virus effect mentioned in the auditor's report	Number of companies
Adversary	Nonconformance with CAS regarding contingent liability, accrued interest reversal, etc.	1
Disclaimer	Unmentioned	23
	Failing to obtain sufficient appropriate audit evidences on important overseas components,	1
	Material uncertainty of CCP virus' adverse impact on operation	1
	Total	25
Qualified	Unmentioned	33
	Failing to obtain sufficient appropriate audit evidences on important overseas components due to CCP virus	5
	Total	38
Explanation matter paragraph	Unmentioned	6
	Material uncertainty of going concern caused by CCP virus and other effects	1
	Total	7
Total	-	71

52 listed companies disclosed CCP virus' impact on operations in the annual reports. The disclosed effects were divided into three classes as below.

Class	Sectors	Impact
Larger impact	Culture touring, domestic scenic spot operation, overseas travel	Severe impact on first quarter, depression in medium and short period
	Traffic and Transportation	Sharp reduction of toll fee because of highway toll fee exemption policy during pandemic period
Squeezed liquidity	Ordinary companies	Operation cessation and construction interruption lead to short-term operation cash flow reduction and uncertainty of debenture and loan repayment
Abnormal growth	Online education	Isolation at home gave rise to more permeability and demand

12 categories misstatements

1. There were 5 kinds of misstatements CSRC reported as far as financial instruments were concerned

Subcategory	Specific mistake
Misclassification of financial assets	Designate financial instruments not satisfying definition of equity instruments as other equity instrument investment.

Subcategory	Specific mistake
	Reclassify debt assets from carried at fair value with changes through other comprehensive income (OCI) into carried at amortised cost despite no change in business pattern of financial assets management and cash flow characteristics.
Measurement of financial assets	OCI from remeasurement of equity instruments carried at fair value through OCI was charged to investment income rather transferred to retained earnings when control over investee was obtained through step acquisition. Forward contracts that entitled holders right to buy equity at fixed price in the future were not recognized and measured as derivatives when holders became a party to the contract in prior years and fair value changes in investee's equity weren't recognized. The holders falsely recognized the equity investment at fair value through OCI only when they made payment and charged the difference between fair value at settlement date and settlement amount into OCI.
Financial instruments impairment	Impairment allowance to trade receivables and notes receivable wasn't adjusted on transition date to new financial instrument CAS by applying expected credit loss (ECL) model that considered forward information. And ECL of related party receivables and significant financial guarantee contract wasn't provided. Some companies classified all the credit loss into phase one or applied simplified ECL model inconsistently to the trade receivables without material financing ingredient while they applied three phase model falsely to other receivables.
Presentation of financial instruments	Trading fees of convertible bonds weren't allocated between financial liability and debt ingredient resulting in false calculation of real interest rate. Amortised cost of financial liability wasn't transferred to share capital and premium resulting in conversion profit or loss on conversion date. Put options on unacquired shares of subsidiaries issued to minority interest holders weren't transferred from derivative financial liabilities to financial liabilities at discounted expected cash payment made to minority interest holders when consolidating financial statements Interest was accrued on interest non-accumulative perpetual bonds that were classified as equity instruments rather recognized by deducting retained earnings directly and charging to dividend payable on declaration according to CAS Accrued interest on financial instruments was charged to interest receivable or payable account rather presented as part of carrying amount of corresponding financial instruments. ECL provision on financial guarantee contracts was charged to non-operating loss rather credit impairment loss.
Disclosure of transition information for first-time adoption of new financial instrument CAS	In the reconciliation tables for adjusting old financial assets to new financial assets. the reduction of assets and liabilities arising from disposal of subsidiaries was attributed to impact of new CAS; impact of reclassification and remeasurement of old financial assets into new financial assets was omitted; there were many other mistakes including omissions in disclosing effect of new CAS and reconciliation tables. Adjustment of cash and cash equivalents, impairment on unbilled finished work and presentation of financial products or trade receivables were falsely disclosed as impact of applying new CAS while they were in fact change in accounting policies, accounting estimates or prior period adjustment subject to other CASs' requirement.

2. There were five problems in applying lease CAS.

No.1	Mistakes
1	The assets and liabilities under financing lease prior to adoption of new lease CAS should have been reclassified to rights of use assets and rental liabilities went unadjusted.
2	Lease assets with decoration work unfinished were accounted for in the construction in process account rather charged to rights of use assets carried at cost and accrued depreciation from the date of rental commencement.
3	Weighted average interest rate of incremental borrowings and the difference between discounted value of unpaid material operation leasing consideration at the previous year end and rental liabilities on the date of first-time adoption were omitted in the disclosure of impact of applying new lease CAS.
4	Direct fees for establishing lease relation were charged into long-term unamortised fees rather charged to cost of leased-in assets.

3. Some listed companies misapplied revenue CAS to overstate revenue by not reducing revenue for the consideration withheld due to quality problem but charging into non-operating loss and by including purchasing discount granted by suppliers in revenue

rather reducing cost of inventory or cost of goods sold. It was also discovered that some included value-added tax which were collected from customers for the third party the CCP regime in contract liability account.

4. Some listed entities made mistakes in account for merger and acquisition by falsely defining merger under common control, mismeasuring intangible assets and goodwill recognized on acquisition, misadjusting acquisition cost for consideration reduction incurred after 12 months measurement period, measuring contingent assets on acquisition at amortised cost rather at fair value through changes in profit or loss and performing wrong subsequent measurement of contingent consideration.

5. Some listed companies applied consolidation CAS falsely by misjudging consolidation scope, accounting for trade between parent company and non-controlling interest and disposal of subsidiaries improperly and failing to fully disclose judgements applied in determining control scope.

6. Some companies accounted for investment in associate and joint ventures falsely, such as misclassification of investment, incorrect cancellation of related party transactions, etc.

7. Some companies covered up impairment loss of long-term assets. For example, assets group or groups were not applied consistently despite no change of circumstances, impairment loss was not allocated into other assets in the assets group after being fully charged against goodwill. What made matters worse was that impairment loss didn't represent faithfully gradual deterioration of businesses and corresponding assets over time, the terrible condition of commercial houses in work stoppage and unable to be delivered legally to owners, the developers of which and the controlling shareholders thereof were insolvent, and construction in process unable to be used for production because of shortage of fund, the constructor to which had went bankrupt.

8. Some listed companies recognized deferred tax assets despite insufficient future taxable income available to reverse the assets or in relation with initial recognition of financial assets and also recognized deferred tax liabilities incorrectly, such as by not considering taxable temporary differences arising from fair value appreciation of assets.

9. Some companies applied fair value CAS incorrectly by applying false valuation method or by classifying input value into false levels.

10. Some companies accounted for share-based payment improperly or misclassified between post period adjusting events and non-adjusting events or among changes in accounting policies, changes in accounting estimate and prior period errors modification.

11. Some companies included improper items or omitted items in non-recurring gains and losses such as gains on disposal of financial products or long-lived tangible and intangible assets, misleading investors on their operation performance in normal situation.

12. There were some other obvious misclassifications such as between current assets and non-current assets, or between current liabilities and non-current liabilities. The misclassifications between current assets and non-current assets, or between current liabilities and non-current liabilities didn't impact totalled assets amount or totalled liabilities amount but it affected operating capital significantly. Operating capital, which was current assets minus current liabilities, was an important to short-term solvency indicator. Misstated operation capital arising from misclassification thereof mislead debts investors if investors didn't carry out some due diligence to identify such mistakes.

Subsequent measures of CSRC

CSRC tried to comfort the readers shocked by so many financial statements misstatements by announcing that it would enhance emphasis on financial information quality, direction, rules making and enforcement.

Background information of CAS

The Ministry of Finance of Communist China (MOF) issued CASs which MOF claim were converging with International Financial Reporting Standards (IFRS) issued by the International Accounting Standards Board. But there were many differences between CAS and IFRS. There was a comparison about IFRSs application in listed entities.

Comparison	Republic of China (Taiwan)	People's Republic of China enslaved by CCP
Composition	Translated IFRSs into Traditional Chinese	1. Made CASs by removing much information in IFRSs and translating into Simplified Chinese language 2. Separately published application manual

Comparison	Republic of China (Taiwan)	People's Republic of China enslaved by CCP
		3. Separately published application points by MOF and CSRC
Website	https://www.twse.com.tw/IFRS/aboutIFRS	https://www.casc.org.cn/qykjzz/ http://kjs.mof.gov.cn/zhengcefabu/ http://www.csrc.gov.cn/pub/newsite/kjb/

Translator's view:

These measures didn't answer the systematic questions inherent under CCP's ruling.

Why not directly adopt IFRSs without modification as Republic of China did?

Why not require MOF to evaluate performance of accounting industries communication among Taiwan, Hong Kong and China mainland in improving accounting regulation recent years? Just for applying BGY plan (i.e. Blue techs, Gold and Yellow of sex) to influence accountants of Hong Kong and Taiwan working in the sectors of government service, financial service, properties development, defence, etc?

So many mistakes, discovered only by CSRC review rather than US PCAOB inspection, indicated that the corporate governance and internal controls in those listed companies under CCP regime failed and their directors of board including independent directors, whose compensation was paid out from investors' interests in those companies, weren't competent and didn't exercise due care and scepticism. Given that listed companies under extensive public spotlight committed so many mistakes, the financial statements of debenture issuers which got much less spotlight were more unreliable.

Resource: <http://news.esnai.com/2020/0924/208955.shtml>

14 Main Media Mislead Public on CCP Performance

Many media have reported financial performance of Sinopec, Ant group, Alibaba and other Chinese Communist Party Entities (CCP). Relevant reports are summarized as below.

Name	CCP	Reporting Period	Item Name	Amount
CNN	Ant Group	Half Year 2020	Profit	CNY21.9bn
CNBC	Ant Group	Half Year 2020	Profit	CNY21.9bn
NYT	Ant Group	Year 2019	Profit	Around \$2.5 bn
WSJ	Ant Group	Half Year 2020	Profit	Roughly \$3.5 bn
SCMP	Alibaba	Quarter Ended 30 June 2020	Net income	CNY47.6bn
FT	Sinopec	Half Year 2020	Loss	CNY21.7bn

The results reported in the statement of changes in equity of those companies as below.

Currency unit: CNY

CCP	Reporting Period	Net income attributable to ordinary shareholders(P/L)	Other Comprehensive Income attributable to ordinary shareholders (OCI)	Comprehensive Income attributable to ordinary shareholders (CI)	Audited
No	1	2	3	4=2+3	5
Ant Group	Half Year 2020	21.23bn	0.62bn	21.9bn	No
Ant Group	Year 2019	17.0bn	1.2bn	18.2bn	Yes
Alibaba	Quarter Ended 30 Jun 2020	47.6bn			No

Sinopec	Half Year 2020	(21.7bn)	(2.2)	(23.9bn)	No
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It was found that there were several problems with the reports mentioned above.

Failing to emphasize the results unaudited.

When WSJ reported Jack Ma's Ant Group Produces \$3.5 Billion Profit in Six Months, it failed to add unaudited in the title and didn't empathise that the half year results weren't audited and helped inflate the share prices of Ant Group and Alibaba falsely. SCMP also failed to emphasize that Alibaba's 124 per cent gain in quarterly profit weren't audited.

Ignoring difference between P/L and CI

Some reports used P/L to comment financial performance, while others used CI. It's a basic knowledge that CI is completely different from P/L. In conformance with [IFRS](#) or [China GAAP](#), CI is P/L plus OCI.

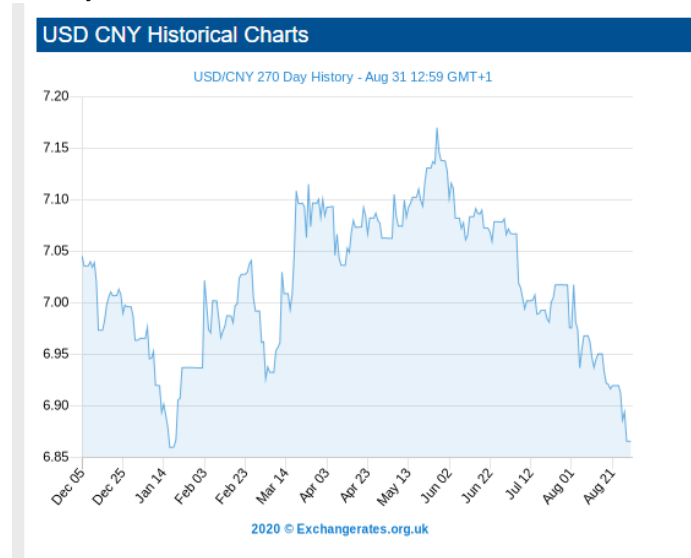
Abnormal foreign exchange rate

If CNY21.9 bn, CI of Ant Group for half year 2020, was translated to \$3.5bn, the rate used by WSJ was CNY6.26 per USD. If CNY21.23bn was translated to \$3.5bn, the rate used by WSJ was CNY6.07 per USD. The foreign currency exchange rate (XE) at 30 June 2020 was 1 USD = 7.07 CNY. [The USD to CNY FER history summary page](#), detailing 270 days of USD CNY XE historical data from Wednesday 5/12/2019 to Saturday 29/08/2020, showed as follows that both 6.26 and 6.07 were unreasonable at all. There's an overstatement calculation sheet as below.

USD: CNY XE Overstatement of Ant Group CI by WSJ

Item	Row No	XE at 30 Jun	Average	Highest	Lowest
WSJ XE	①	6.26	6.26	6.26	6.26
XE	②	7.07	7.03	6.84	7.18
Overstatement	③=(②-①)÷①	13%	12%	9%	15%

Note: If the number taken by WSJ was P/L, overstatement of XE translation was worse.



[Origin](#)

Scepticism was missing.

The media failed to notice such abnormal circumstances as below.

Firstly, unaudited half year 2020 result of Ant Group, either measured in CI or P/I, exceeded that of whole year 2019. CI of **half year** 2020 increased by 20% compared to the **whole year** 2019, while the whole world was trapped in the coronavirus trouble made by CCP and customers and businesses had to cut down on expenditures and tried all the measure to save money.

Secondly, Alibaba omitted section of OCI in the income statement for the Quarter Ended 30 Jun 2020. It could be inferred from the balance sheet that the OCI change was negative CNY0.3bn, that was a negative news for CCP's Alibaba that must be covered up by these media and CCP.

Thirdly, the classification of loan receivables into financial assets measured at fair value through profit or loss to avoid potentially huge expected credit impairment loss charge by Ant Group was controversial given plenty of failed debts execution cases and abundant of collaterals selloffs via [court execution](#) in 2020 and severe macroeconomic situation after covid19 outbreak, its business and IFRS 9 requirement. The credit granted to customers of Ant Group was unsecured and there was severe unemployment situation in China as reported by Gnews both [in English](#) and [in Chinese](#). ECL model considering this situation and other elements would significantly impact P/L and CI. The carrying amount of Loan receivables as of 30 June 2020 was CNY36.2bn.

It was provided in the Ant Group [prospectus document](#) that it focused on financial services and leveraged customer insights and domain expertise to consistently deliver products and services to solve customer needs. It was the first in China to make unsecured credit available to consumers and small businesses online at scale. The revenues growth of CreditTech business was affected by the technology service fee rate it charged partner financial institutions and the balance of consumer credit enabled through its platform. Its CreditTech solutions applied dynamic risk management solutions to transform consumer and SMB credit in China. Rising loan loss rates and deteriorating financial health of consumers and small businesses as a result of the COVID-19 pandemic affected the balance and performance of consumer and SMB credit enabled through its platform. Failure to manage the growth of CreditTech services effectively could materially and adversely affect its prospects. As a result, results of operation and prospects could be materially and adversely affected.

[IFRS 9 Financial Instruments](#) provides that “Unless paragraph 4.1.5 applies, an entity shall classify financial assets as subsequently measured at amortised cost, fair value through other comprehensive income or fair value through profit or loss on the basis of both:(a) the entity’s business model for managing the financial assets and (b) the contractual cash flow characteristics of the financial asset”, “A financial asset shall be measured at amortised cost if both of the following conditions are met: (a) the financial asset is held within a business model whose objective is to hold financial assets in order to collect contractual cash flows and (b) the contractual terms of the financial asset give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding”, “An entity’s business model refers to how an entity manages its financial assets in order to generate cash flows. That is, the entity’s business model determines whether cash flows will result from collecting contractual cash flows, selling financial assets or both” and “Contractual cash flows that are solely payments of principal and interest on the principal amount outstanding are consistent with a basic lending arrangement. In a basic lending arrangement, consideration for the time value of money and credit risk are typically the most significant elements of interest. However, in such an arrangement, interest can also include consideration for other basic lending risks and costs associated with holding the financial asset for a particular period of time. In addition, interest can include a profit margin that is consistent with a basic lending arrangement.” Impairment loss on financial assets carried at amortised cost was calculated using expected credit loss model (ECL).

The loan receivables’ fair value were measured using Level 2 input as shown on page I-142 of “NOTES TO THE HISTORICAL FINANCIAL INFORMATION”. Level 2 input fair values are measured based on valuation techniques for which all inputs which have a significant effect on the recorded fair value are observable, either directly or indirectly. Unlisted equity investments included in financial investments measured at fair value through other comprehensive income were carried at fair value of CNY34.0bn as of 30 June 2020 using Level 3 input Significant Unobservable inputs.

The [fair value](#) arrived at using Level 2 and Level 3 inputs could be manipulated more easily. It was said that possible consequences of [IFRS 9](#) included more income statement volatility as IFRS 9 raised the risk that more assets would have to be measured at fair value with changes in fair value recognized in profit and loss as they arose. [ECL on financial assets measured at amortised cost was more straightforward.](#)

Fourthly, the audit on financial statements embedded in the Ant Group IPO document for the year ended 2019, 2018 and 2017 was conducted by EY which also audited [Wirecard](#). [Wirecard was engaged in accounting fraud. There’re many scandals concerning EY](#) as reported by FT.

Fifthly, there was lack of robust PCAOB audit scrutiny. Many media spread misinformation about audit cooperation progress on 26 August 2020. In fact, no progress was made at all in essence. According to [report](#) by Reuters, China say it has made concessions in proposing to let U.S. regulators to audit some of its most sensitive companies but would insist on redacting some information on national security grounds. Many people forgot that it is national security that hinders PCAOB inspection. There is an abstract of SEC's statement, "China's state security laws are invoked at times to limit U.S. regulators' ability to oversee the financial reporting of U.S.-listed, China-based companies. In particular, Chinese laws governing the protection of state secrets and national security have been invoked to limit foreign access to China-based business books and records and audit work papers. As a result, for certain China-based companies listed on U.S. stock exchanges, the SEC and PCAOB have not had access to the books and records and audit work papers to an extent consistent with other jurisdictions both in scope and timing."

No enforcement of law, order and integrity, no truths in the financial reports of CCP.

Finally, following freedom being extinguished by Chinese Communist Party police both in Hong Kong and China mainland, it's hard for an independent accountant to question management of CCP in confidence. Even if the accountants had confidence, did question the management and formed audit working records, they are more likely to be disappeared. The National Security Law of Hong Kong will also bar PCAOB's inspection on audit quality and accounts of Hong Kong entities listed in the US.

Forgotten harms

The media mentioned above forgot their independent reporters were revoked visa to China for reporting the truths in China independently. CCP expelled three [WSJ reporters](#) working in mainland China, including Josh Chin, its deputy bureau chief in Beijing and an American citizen; Chao Deng, also an American; and Philip Wen, an Australian citizen. [Press credentials](#) were not renewed for American journalists working for the WSJ, the Washington Post and NYT. A FT editor was [barred from entering Hong Kong](#) just one month after the city's immigration authorities refused to renew his work visa without explanation. Secretary of State Mike Pompeo condemned CCP's decision, saying in a statement: "Mature, responsible countries understand that a free press reports fact and expresses opinions." In the speech [Communist China and the Free World's Future](#), he said there was an editorial in NYT by someone had a clear view that was antithetical to the American way of life. NYT ran it straight-up without comment, forwarding – although albeit in the opinion section, but propagating CCP propaganda.

What is [Journalism](#)

According to book *The Elements of Journalism* written by Bill Kovach and Tom Rosenstiel, here are 10 elements common to good journalism, drawn from the book. Journalism's first obligation is to the truth. Its first loyalty is to citizens. Its essence is a discipline of verification. Its practitioners must maintain an independence from those they cover. It must serve as an independent monitor of power. It must provide a forum for public criticism and compromise. It must strive to keep the significant interesting and relevant. It must keep the news comprehensive and proportional. Citizens, too, have rights and responsibilities when it comes to the news.

Then how did these media apply Journalism?

15 Simple Tax Analysis of Hunter BHR Equity Arrangement

Background

Skancateles LLC(SKA) subscribed to RMB3m in return for 10% of equity interest in Bohai Harvest RST (Shanghai) Equity Investment Fund Management Co., Ltd (BHR), a company established in the People's Republic of China (PRC) with a registered capital of RMB30m on December 16, 2013.¹

Tax citizen status

BHR is a firm incorporated in PRC which adopted limited liability corporation form and is a PRC tax resident, both domestic and overseas income of which should be reported to Chinese Communist Party (CCP) tax authority and taxed in PRC.² SKA is an American company that is a non-resident taxpayer with only income from PRC subject to PRC regulation, and is a resident

¹ Loan agreement <https://gnews.org/444046/>

² *Enterprises Income Tax*

Law.http://www.fdi.gov.cn/1800000121_39_3339_0_7.html#:~:text=Article%20%20Enterprises%20are%20classified%20into%20resident%20and%20non%2Dresident%20enterprises.&text=Article%204%20The%20enterprise%20income,tax%20rate%20shall%20be%2020%25.

taxpayer of the USA with global income subject to IRS regulation. SKA should report its overseas assets to IRS pursuant to Foreign Account Tax Compliance Act (FATCA) requirement.³

Possible ways of tax avoidance and economic realisation

*PRC Companies Law*⁴ provided the exception of dividend payment non-prorated to shareholding ratio pursuant to provisions in the constitutions of companies provided determined by all the shareholders. Therefore, it couldn't be assumed that only 10% of profit realised by BHR would be distributed to SKA. However, if dividend was distributed, there would be taxable income that should be reported to IRS, which may be exposed to American media and other US authorities.

Whoever made business in PRC knows that expense reimbursement, related transactions at transfer price and other methods, such as paying expenses of parties to loans mentioned above, compensation to Crystal Liu or transfer to tax heavens, rather than dividend distribution would usually be considered for economic interest realisation. Although both the *Tax Collection Administration Law*⁵ and *Enterprises Income Tax Law* of PRC provided that transactions between related parties, including consideration payment and revenue collection charged not at prices that were charged between independent parties, were subject to tax authorities' adjustment power. Therefore, it can be inferred that there were two tax avoidance ways.

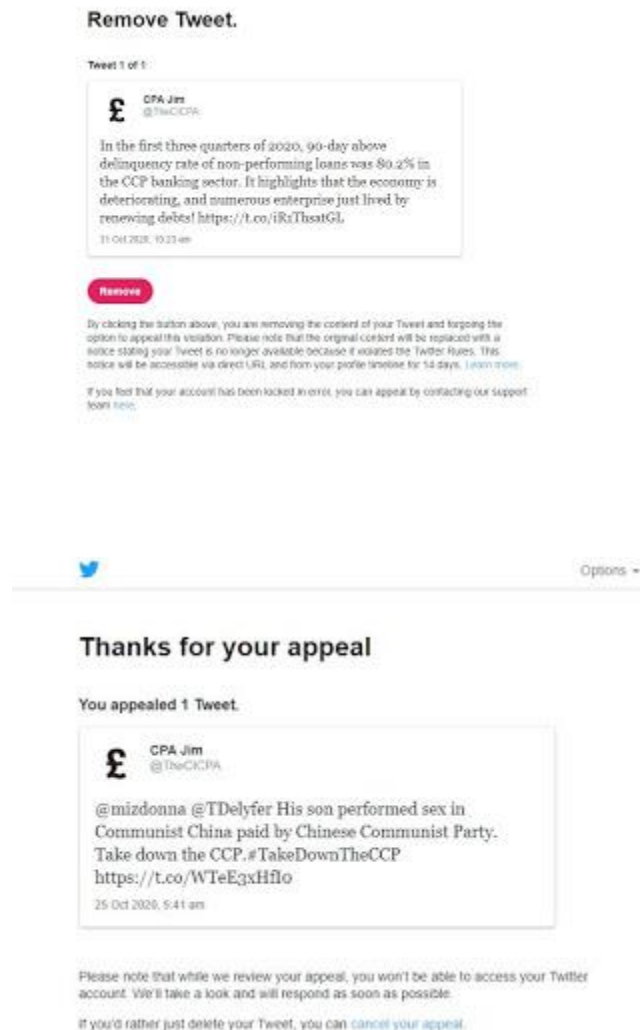
1. Covering up related parties (Prices assumed to be charged independently are not subject to adjustment);
2. Despite obviously being related parties, no investigation and no adjustment by tax authorities (Lack of rule of law in PRC, inspection of CCP tax authorities must be signed off by chief of tax authorities not lower than county).

PRC had commenced governmental negotiation of FATCA since 2012 and concluded on the substantial content with USA in June 2014. Financial institutions in PRC should report information of American tax residents to IRS. Otherwise, such nations' income arising from the USA should be charged withholding tax of 30%. Transactions that transfer economic interest to tax heavens conducted by BHR circulating American financial accounts in PRC don't have to be filed for IRS by financial institutions in PRC.

³ IRS requirement <https://www.irs.gov/businesses/corporations/fatca-information-for-individuals>

⁴ PRC Companies Law
http://www.fdi.gov.cn/1800000121_39_4814_0_7.html#:~:text=Article%201%3A%20The%20Company%20Law,and%20economic%20order%20and%20promote

⁵ *Tax Collection Administration Law* http://english1.english.gov.cn/laws/2005-09/12/content_31187.htm



Picture Resource: Twitter

On 24 October 2020, an email from Twitter (TWTR) informed me that my TWTR account has been locked. Then I decided to appeal this suspension. There's a snapshot of this email as follows. The censorship logic of TWTR is similar to Weibo under the digital totalitarian of Chinese Communist Party (CCP) that is politician family's inmate photos shouldn't be published without approval of those corrupted politicians' family members.

However, on 31 October 2020 just posting economic issues followed a link to Gnews. org resulting in account being locked.



Twitter 
notify@twitter.com

 Send email  View profile



Results

Filter 

	Twitter	Your Twitter account has been locked	Hi CPA Jim, Your account, @TheCICPA has been lock...	Inbox	2:24
	Twitter	Your account has been restored	Hello, Our support team has reviewed your account and it...	Inbox	Thu 8:54
	Twitter	We've received your appeal request	Hello, We've received your appeal request. Our suppo...	Inbox	Thu 8:49
	Twitter	Your Twitter account has been locked	Hi CPA Jim, Your account, @TheCICPA has been lock...	Inbox	Thu 8:42
	Twitter	Your account has been restored	Hello, Our support team has reviewed your account and it...	Inbox	Wed 16:00
	Twitter	We've received your appeal request	Hello, We've received your appeal request. Our suppo...	Inbox	Sun 25/10
	Twitter Support	About your Twitter account 0177941793 [ref:00DA0000000K0A8,5004A0000214eA4:ref]	He...	Inbox	Sat 24/10
	Twitter	Your Twitter account has been locked	Hi CPA Jim, Your account, @TheCICPA has been lock...	Inbox	Sat 24/10

Your Twitter account has been locked



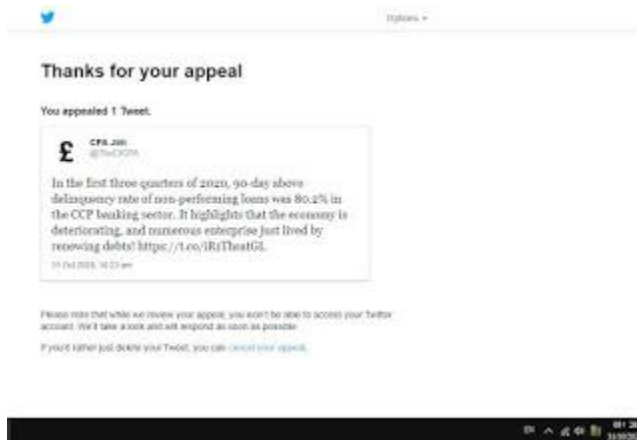
Hi CPA Jim,
Your account, @TheCICPA has
been locked for violating the
[Twitter Rules](#).

Specifically for:

Violating our rules against posting or sharing
[privately produced/distributed intimate media](#) of
someone without their express consent.

Please note that repeated violations may lead to a
permanent suspension of your account. Proceed to
Twitter now to fix the issue with your account.

[Go to Twitter](#)

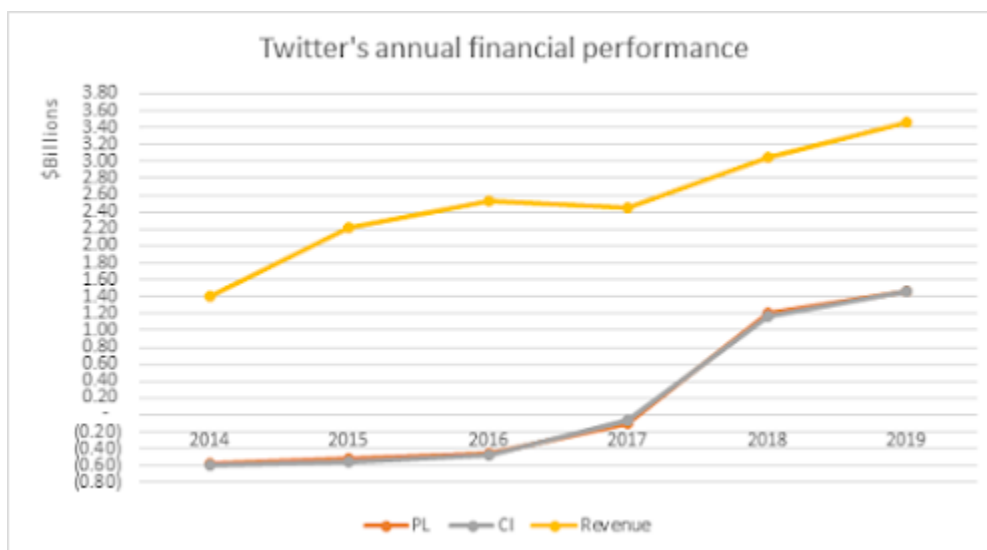


Then who was encouraging TWTR's censorship with fund? Who was supplying TWTR censorship with human resource?

Let's get to the financial statements of TWTR which can help you understand why investment in TWTR's shares is likely to result in huge loss and CCP is manipulating TWTR performance and share price to encourage TWTR censorship.

How did TWTR realize income leap forward?

According to consolidated financial statements as of both 31 December 2016^[1] and 31 December 2019^[2], both of which were given unqualified audit opinions by the same auditor PricewaterhouseCoopers LLP in San Francisco, California where there were many CCP's spies, comprehensive income (CI) as well as profit or loss (PL) for the years from 2014 to 2017 were suffering loss as follows followed by significant earnings from 2018 on. According to the numbers extracted from the above reports, a chart was drawn as below. It's found that from 2017 to 2018, there was a great jump similar to Great Leap Forward between 1958 and early 1960^[3].



By calculating return on sales (here, return on sales=CI÷Revenue), we can get that its financial performance jump in 2018 was due to surge of return on sales as follows as well as revenue increase.



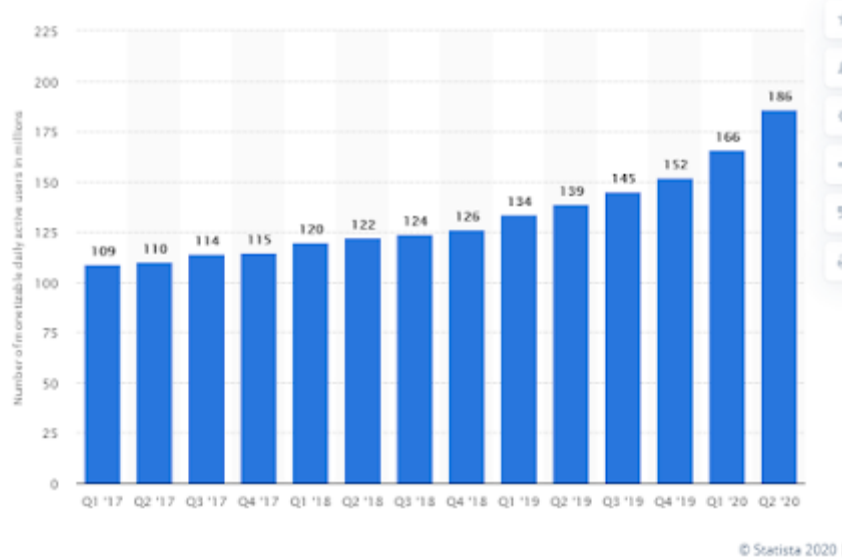
It can be inferred from the above that in 2018 TWTR realised additional great income by performing contract obligations with abnormal profit ratio. Then what is the contract obligation of Twitter exactly as the consideration for such revenue?

Beginning of Whistleblower's Movement

As informed by Miles Guo on 5 October 2017 on the press conference held in Washington D. C, The CCP Kleptocrats had been currently implementing 3F and BGY in the US, very successfully and swiftly, which would make an enormous harm to the Americans and their lives and properties, might 100 even 1000 times worse than 9/11. BGY stands for Blue, Gold and Yellow. Blue represents Internet and Media Control. Gold represents money and bribery is used to buy influence. Yellow represents the use of honey traps to compromise espionage targets. CCP planned to control the world by choking the throats of the world leaders, politicians, media, academics and financial operators; and it had deeply invaded the US from within via this BGY in the past decades. 3F means to foment weakness, foment chaos and foment the destruction of America. [\[4\]](#)

As reported by BEAST INSIDE on 16 October 2020, Bannon's cooperation with Miles Guo on Whistleblower's Movement began shortly after Bannon's leaving the White House in August 2017. By 2018, the pair began appearing regularly on its GNews website. [\[5\]](#) Another story told that since commencement of Miles Guo Whistleblower's Movement in 2017, TWTR has been experiencing user quantity increase in Chinese world and met more potential business opportunities brought by Miles Guo and whistle-blower movement members. [\[6\]](#)

Number of TWTR Monetizable DAU worldwide (in millions)



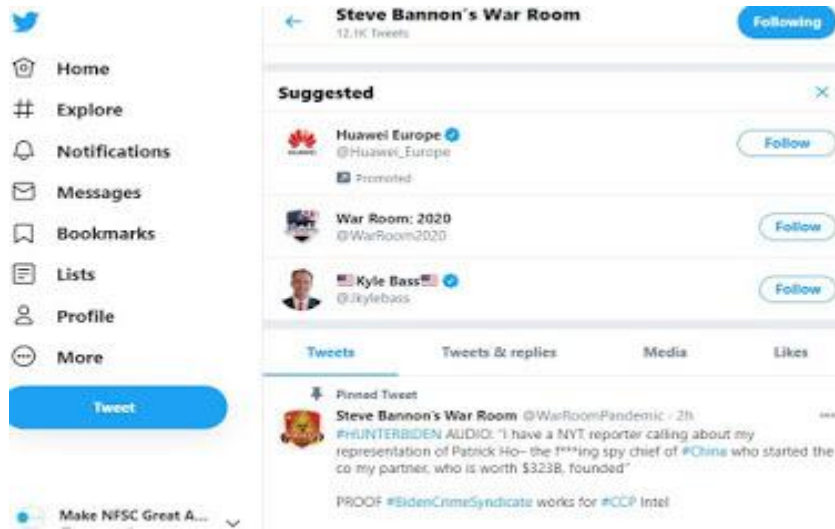
Note: Monetizable DAU are Twitter users who log in and access Twitter on any given day through Twitter.com or Twitter applications that are able to show ads.

Resource: Statista^[7]

TWTR is just another traitor that sold American state security to CCP for money, besides Joe Biden.

According to personal experiences, Twitter has offered ads service to Huawei, the national security threat of USA^[8], of promoting junk stuffs and misleading many Chinese and other countries' users on electronic communication equipment purchasing decisions and should have received tremendous contract consideration from Huawei. In the ads rendered to TWTR users, TWTR failed to identify Huawei as a security threat while it could identify government account and censor content.





TWTR has also promoted the accounts of foreign agents including People's Daily and Hu Xijin. Did those contract obligations provided in those ads contracts include censoring services? Did those contracts designate a CCP member responsible for supervising censorship implementation as an independent director to TWTR for additional consideration?

Whistleblower's Movement lead by Miles, whose aim is to take down the CCP, started in 2017 and it needed social media to spread truths of Hong Kong crises as well as other CCP plagues. The commencement date of CCP ads contract signed with TWTR may be in 2017 followed by Miles' Twitter account being suspended. Despite Miles' account being suspended, Whistleblower's Movement members and influence at the Twitter platform have increased significantly. As a result, CCP may think that it's necessary to designate an independent director to TWTR's board of directors for supervising and advising on specific censorship issues.



Moreover, TWTR hired another security concern Feifei Li. As reported by National Security News on 29 May 2020, a White House petition calling on the U.S. government to investigate "Twitter's violation of freedom of speech, and on Dr. FeiFei Li's collaborations with the CCP, a threat to national security" was created in May 2020. Li quit Google in 2018 where leaked emails revealed that she appeared to be against Google's work on Project Maven, a U.S. Department of Defense AI project. During her tenure at Google, Li didn't reject controversial Project Dragonfly meant to be a search engine that would suit CCP censorship rules, as she opened an AI research facility in Beijing.^[9] In addition, Li allegedly has ties to a student association that is affiliated with the CCP's United Front, according to Radio Free Asia.

Softbank's insane purchase of tech stocks and their call options

According to *Proxy Statement* [\[10\]](#) filed with SEC by TWTR on 15 April 2020, On the date of each annual meeting of stockholders, each of its non-employee directors is granted restricted stock units (“RSUs”) having a grant date fair value approximately equal to \$225,000, computed in accordance with Financial Accounting Standards Board (“FASB”), Accounting Standards Codification (“ASC”), Topic 718.

“The shares of our common stock underlying the RSUs vest in quarterly installments beginning on the first quarter following the date of grant (on the same day of the month as the date of grant) but will vest in full on the date of the next annual meeting of stockholders if not fully vested on such date, subject to continued service through each vesting date. Directors who are appointed mid-year receive a pro-rated RSU grant based on the number of months between their appointment date and the date of our next annual meeting of stockholders. **Directors who are appointed mid-year** receive a **pro-rated RSU grant** based on the number of months between their appointment date and the date of our next annual meeting of stockholders.”

It followed outlining compensation details which showed that most compensation of non-employee directors in 2019 was paid using stock compensation.

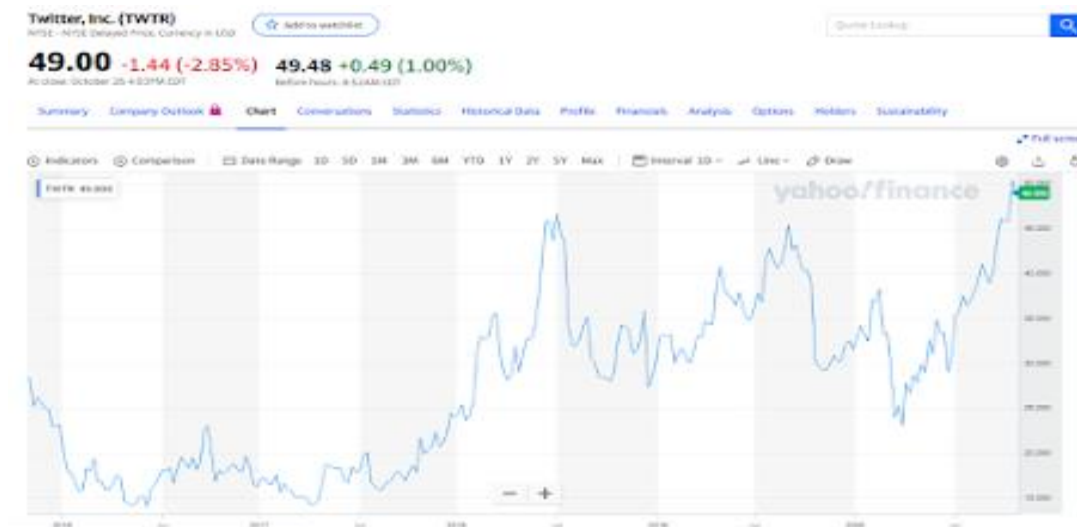
Compensation structure of non-employee directors	Row No.	Cash Compensation (\$)	Stock Compensation	Total	Ratio
Column No.	1	1	2	3=1+2	4=2÷3
Martha Lane Fox	2	70,000.00	223,164.00	293,164.00	76.12%
Debra Lee	3	27,083.00	223,164.00	250,247.00	89.18%
Ngozi Okonjo-Iweala	4	54,167.00	233,076.00	287,243.00	81.14%
Patrick Pichette	5	90,000.00	223,164.00	313,164.00	71.26%
David Rosenblatt	6	82,917.00	223,164.00	306,081.00	72.91%
Bret Taylor	7	-	282,676.00	282,676.00	100.00%
Evan Williams	8	45,833.00	-	45,833.00	0.00%
Robert Zoellick	9	53,333.00	223,164.00	276,497.00	80.71%
Total	10=2+3+4+5+6+7+8+9	423,333.00	1,631,572.00	2,054,905.00	79.40%

Therefore, directors were impacted significantly by stocks’ market value where nearly average 80% of non-employee directors’ compensation was stock compensation. 92% of 2019 compensation for its Named Executive Officers on average as a group (excluding CEO who declined all compensation other than a base salary of \$1.40) was attributable to equity compensation.



As of 31 December 2019, all executive officers and directors as a group (14 persons) owned 20,741,693 TWTR shares. Besides, the Employee Stock Purchase Plan indicated that Equity compensation plans approved by security holders provided 36,266,939 shares to be issued to employees at weighted average exercise price \$10.27 upon exercise of outstanding options, warrants and rights. Other censorship techs and BGY tools including Facebook, Google, Wall Street bankers have similar compensation arrangement.

As pointed out by ZeroHedge (ZH) in the article “Connecting The Dots: How SoftBank Made Billions Using The Biggest ‘Gamma Squeeze’ In History” on 7 September 2020, it was SoftBank that was using a "positive gamma" strategy of buying up single name stocks, which it then propelled higher by buying call options in the same stock. ZH in early August 2020 reported for the first time SoftBank was targeting investments of over \$10 billion in public stocks as part of a new asset management arm, far exceeding the initial holdings that founder Masayoshi Son outlined to shareholders in the company's latest earnings call, and a break from the company's strategy of investing in private names because on 11 Aug 2020, Masa Son said SoftBank had acquired major holdings in not only the FAAMG (i.e. Facebook, Amazon, Apple, Microsoft, and Alphabet's Google) stocks but some of the highest beta, "story" tech names. It is indicated that TWTR's capitalization value is also inflated by rise of similar Tech stocks FAAMG driven by Wall Street, SoftBank and its retail clients which are influenced by CCP's BGY plan. According to email evidence exposed by Lude Media, Wall Street Journal is also controlled by CCP. CCP may make use of WSJ in spreading disinformation to manipulate techs' stock prices just as it had done for promoting Ant Group IPO by applying overstated CNY/USD exchange rate to mislead capital markets on Ant's financial performance.[\[11\]](#)



Resource: Yahoo Finance

This stock inflation directly increased TWTR management's compensation arising from stock compensation (a way for companies to pay employees in shares of stock or stock options. Stock options are the most common type of stock compensation and allow an employee to purchase the company's stock at a set price during a set vesting period^[12]).

According to the censorship logic of TWTR as well as Facebook and Google, it's easily to conclude that besides CCP ads contract, it's also CCP that is manipulating techs' stock prices via SoftBank and Wall Street to compensate censorship obligations included in their devil business contracts. If Americans and other countries' citizens are to avoid being enslaved and take down the Great Firewall being constructed by main media, Wall Street as well as FAAMG, we are obliged to work together to take down the CCP.

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- [1] 2016 Annual Report https://www.sec.gov/Archives/edgar/data/1418091/000156459017002584/twtr-10k_20161231.htm
 - [2] 2019 Annual Report <https://www.sec.gov/ix?doc=/Archives/edgar/data/1418091/000141809120000037/twtr-20191231.htm>
 - [3] Great Leap Forward <https://www.britannica.com/event/Great-Leap-Forward>
 - [4] BGY and 3F <https://gnews.org/154724/>
 - [5] Whistleblower's Movement <https://www.thedailybeast.com/chinese-billionaires-network-hyped-hunter-biden-dirt-weeks-before-rudy?ref=scroll>
 - [6] The correlation between whistleblower Movement and Twitter usage. <https://gnews.org/zh-hans/457288/>
 - [7] Twitter users (mDAU) <https://www.statista.com/statistics/970920/monetizable-daily-active-twitter-users-worldwide/>
 - [8] National Security Threat <https://tech.co/news/huawei-safe-china-state-military-2020-01#:~:text=At%20the%20start%20of%202018%2C%20Verizon%20and%20AT%26T,US%20intelligence%20agencies%20advised%20against%20using%20Huawei%20devices.>
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